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THE CO-OPERATIVE MOVEMENT  
IN LABOUR BRITAIN

# THE CO-OPERATIVE MOVEMENT IN LABOUR BRITAIN

Edited for the Fabian Society  
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# I INTRODUCTORY

## WHITHER CO-OPERATION?

BY N BAROU

IT WAS social and moral motives, as well as economic aims which inspired the pioneers who set up in this country over a hundred years ago the first Co-operative Consumers' Societies

Their main economic aim, to let the consumer have the benefit of large-scale collective enterprise in distribution and production, was fully achieved in the field of distribution, but much less so in production. To day there are nearly ten million members of the British Consumers' Co-operative Societies—over one fifth of the population—and their retail trade exceeds £400 million per annum. The success of the movement is impressive when measured quantitatively, has it also achieved its social and moral aims?

The social aim was to secure such an important place for the Co-operative Movement in the national economy as to enable it to transform monopoly capitalism along Co-operative or Socialist lines. Has the British Co-operative Movement reached that goal? It is difficult to say that it has, since even in the field of distribution (the one in which it is strongest) the movement handles only a modest part of the nation's trade.

Although the great majority of Co-operative members are wage- and salary-earners, and are responsible for the huge retail turnover of Co-operative trade, that turnover represents only a modest proportion of the national wages bill.

Wage- and salary earners, together with their families, represent over 90 per cent of the country's population. What proportion of these do the Co-operative Societies serve? Strange as it may seem, no reliable information on the point is available, but it is estimated that the movement serves more than half of the 12 million families in this country. If this

estimate is correct, it can only mean that many million wage- and salary earners' families make no use at all of the facilities offered by the Co-operative Movement

This is due partly to the relatively small number of Co-operative Stores—about 25,000—and partly to the narrow range of the commodities entering Co-operative trade, this range meets comparatively few of the consumers' needs—mainly food and a few equally essential goods ✓

The change in the structure of the working-class family budget is another factor making for the limited volume of Co-operative trade during recent years. The proportion of workers' incomes spent "on food, housing, and fuel and light seems to have absorbed on the average only about 50 per cent of the income—the remaining half of which was thus available for expenditure on clothing and miscellaneous household requirements, the owners' personal expenditure, and savings"<sup>1</sup>

Thus, although the total turnover of Co-operative trade is very high, its importance in the national economy is comparatively modest. Further, the movement, it must be admitted, has done very much better on the material side of its activities than in other directions

As already mentioned, the pioneers regarded Co-operation not merely as an economic, but also as a social and moral movement. The forerunner of the Rochdale pioneers, William King, formulated its aims as follows "when a man enters a Co-operative Society he enters upon a new relation with his fellow men, and that relation immediately becomes a subject of every sanction, both moral and religious"<sup>2</sup>

The Rochdale Pioneers formulated in the "laws" included in their Society's book of rules the following programme

- 1 The objects and plans of this society are to form arrangements for the pecuniary benefit, and the improvement of the social and domestic condition of its members, by raising a sufficient amount of capital in shares of one pound each, to bring into operation the following plans and arrangements

<sup>1</sup> T. Schulz "Working Class Income and Household Expenditure," *Bulletin of the Oxford University Institute of Statistics* Vol. IX, May 1947, pp. 163-4

<sup>2</sup> See T. W. Mercer, *Towards the Co-operative Commonwealth*, p. 18 (Co-operative Press, Ltd., 1936)

2 The establishment of a store for the sale of provisions and clothing, etc

3 The building, purchasing or erecting a number of houses, in which those members desiring to assist each other in improving their domestic and social conditions may reside

4 To commence the manufacture of such articles as the society may determine upon, for the employment of such members as may be without employment, or who may be suffering in consequence of repeated reductions in their wages

5 As a further benefit and security to the members of this society, the society shall purchase or rent an estate or estates of land, which shall be cultivated by the members who may be out of employment, or whose labour may be badly remunerated

6 That as soon as practicable, this society shall proceed to arrange the powers of production, distribution, education and government, or in other words to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies

7 That for the promotion of sobriety, a Temperance Hotel be opened in one of the society's houses, as soon as convenient

Have these expectations and dreams come true? A good many of them have. Those which have not have failed largely because the movement could not have foreseen that modern capitalist society was going to develop during or since the last decades of the nineteenth century on lines very different from the capitalism of the days of the pioneers. We realise that it is not a practical proposition nowadays "to establish a self supporting home colony of united interests" or to "rent estate of land, which should be cultivated by members, who may be out of employment". The best the British Co operative Movement has been able to do in that direction has been to employ in its own enterprises about 3 per cent of its members.

But it would probably upset the pioneers much more to discover how comparatively few in all the millions of Co operative members are directly responsible for its activities. Again, it must be frankly admitted that we do not really know what proportion of the members vote or serve voluntarily,



though it is estimated that not more than one or two in every hundred attend general meetings. The rest are not actively interested, and it seems that they do not care about their Society's future or feel in any way responsible for it.

Why, then, do people who show so little interest in the activities of Co-operative Societies join them? Again no reliable information is available—but it is believed that the great majority join in order to receive dividends on purchases. An inquiry covering a sample of 2,000 members did in fact show that over half had joined because they wanted to "save their dividends."

In that connection it should be remembered that wage- and salary-earners get their wages weekly, which makes it harder for them to save up enough money to buy goods that require high expenditure—such as clothing, furniture, etc. The automatic accumulation, through regular purchases, of dividends which are paid quarterly or twice a year, is one of the simplest and easiest ways of meeting such high periodical outlay. Because of this easy and convenient way of saving, Co-operative purchases became in this country a habit amounting to a tradition.

Nevertheless the "dividend hunters"—as such members are sometimes slightly described in Co-operative literature—are not as bad as that would make them seem. That millions of families are interested in Co-operative dividends shows clearly how poor and how badly paid have been the workers in this country, for these Co-operative dividends are very modest, and represent on an average from £4 to £7 a year.

The explanation is simple, if one remembers that shortly before the war (in 1937) more than a third of family bread-winners earned up to £2 10s per week and another third between £2 10s and £4 only. For such families even modest dividends represented nearly two weeks' wages—no small matter to many of them.

But why it may still be asked, do members who want to share in the material benefits of Co-operative organisation take so little interest in their management? There are two main explanations. The first is the enormous size of modern Co-operative organisations in this over-urbanised country, where the majority of the population live in or around fourteen towns. It is not easy to organise Co-operative democracy in societies of such huge size, and in this country there were

106 Societies in 1946 with a membership of over 20,000 each <sup>1</sup>

The large-scale Co-operative Societies are geographically based, and have not yet found effective ways of enabling the mass of their members to participate directly in their affairs and indirect representation through delegate conferences is neither very inspiring nor easy to organise. It becomes therefore more and more desirable to supplement 'organisation by locality' with some sort of functional organisation. The way to such new functional organisation was opened in the U.S.A. both through the credit union movement and the development near places of employment of Co-operative restaurants and cafeterias. The American experience shows that when Co-operative organisations are introduced in factories—to offer special services such as credit or insurance—they ensure much more active participation by members in the actual management than is found in Co-operative Societies of other types.

Functional Co-operative organisations established in or around places of employment should be used to provide extended cultural and social services and amenities and not merely to distribute goods. Restaurants established in factory districts—with a small shop to sell packed goods during meal hours—usually do a very large business. Members leave their baskets and orders, before going to take meals—and collect and pay their bills, before leaving. A barbers' shop, a book stand, and a clubroom make such restaurants not only much more attractive, but a thoroughly paying proposition.

<sup>1</sup> The following table gives the distribution of members among societies of various sizes.

Size of Society	Number of Societies		Per cent of all Societies		Per cent of total members	
	1942	1946	1942	1946	1942	1946
20 000 and more	96	106	9.07	10.22	61.58	63.85
10 001-20,000	85	93	8.03	8.97	13.47	13.29
5 001-10 000	144	147	13.61	14.18	11.57	10.85
100-5 000	737	691	69.29	66.63	13.38	12.00
	1 062	1 037	100.00	100.00	100.00	100.00

Thus Societies over 20 000 strong, or about 10 per cent of the total number of Societies include nearly 64 per cent of the individual members.

The second and even more important reason for the very limited interest of the membership in the conduct of Co-operative organisation lies in another field. Co-operation began as a great moral movement destined to be the basis of a philosophy of life, but it did not live up to the hopes of its pioneers. Their vision has not been realised. The economic and trading activities have very largely overshadowed the moral, social and political aims. On the Co-operative horizon little is seen beyond the movement of prices, the size of dividends and problems of organisation. Even in the economic field the movement has lagged far behind its capitalist competitors and has for the last three decades left the initiative to them in many fields of new and profitable enterprise—such as bazaars, cinemas, restaurants, holiday camps, etc.

This limitation of Co-operative activities has been against the wishes and efforts of the Co-operative vanguard in this country which has never consented to regard itself as a part of the competitive system only and has firmly held to the conviction of the pioneers that the movement ought to outgrow capitalism and transform it into a Co-operative Society. British Co-operators never believed, as some of the outstanding American Co-operators still believe, that competition must remain a condition of the existence of a healthy Co-operative movement. They believed that in modern industrial society all social developments are so interdependent that modern civilisation can survive only as a co-operative one in which solidarity and common effort, planning and collaboration, replace cut throat competition. That is why the mass of British Co-operators support the Labour Party's drive for a Socialist and Co-operative society. They cannot help looking upon the Labour Government as their Government, though they are dissatisfied at times with some aspects of its policy. Their main criticism is that the place of Co-operative effort and organisation in the structure of a Socialist Britain is scarcely defined and that labour policy for the transition period is not clearly formulated. There is no clear indication in the programme of the Party about the part to be played by Co-operative organisations in a Socialist Britain. There are also complaints that little use is being made of the experience and of the human forces accumulated inside the Co-operative Movement for transforming a capitalist Britain into a Labour one.

The weakness of Co-operative criticism lies in the fact that

the Co-operative Movement itself, its theoreticians and its practical workers, have not yet produced any clear plan for the transition period and no plan for developing the national economy on co-operative lines. It is therefore imperative that the Co-operative Movement should think hard, study specific projects and draw up a statement or programme formulating the tasks it considers itself able to undertake during the transition period. It must quickly realise that the piecemeal unplanned extemporisation which, for the most part, characterised the development of Co-operative business and enterprise in general is not the way to produce the best results in a Labour Britain. The conditions of the transition period will place before the Co-operative Movement problems and situations which present day methods and organisation cannot successfully solve and which call for a more ambitious, imaginative and urgent approach.

This book is attempting to summarise some of the important aspects of the Co-operative Movement in this country. It is a result of a collective effort of Co-operators who have been asked to speak freely on subjects which are of special importance to them.

Nearly all the writers of the following essays are actively engaged in the day-to-day work of the movement, while others are devoted students of its theory and numerous activities. It is an attempt to bring into the open the criticisms which one finds in the movement, and to see clearly and state briefly where the British Co-operative Movement as a whole stands to-day.

The book also tries to assess new prospects of the movement. With the advent of the Labour Government have come considerable changes in the political and economic direction of the country—involving in the last two years great inroads into its capitalist economy. These changes must necessarily affect the tasks of Co-operative organisation, and this book discusses the modifications in aim and method which are required if Co-operation is to become still more useful than at present in the achievement of a Socialist programme.

Since these are its chief purposes, the book does not set out to present a comprehensive and systematic survey of the main activities of the British Co-operative Movement. Already, in books like G. D. H. Cole's *Century of British Co-operation* and A. M. Carr-Saunders' collection of essays a good deal of background material has been created. Even so, much elementary

information that is essential to our understanding of, and intelligent participation in the movement has not been brought together and made available for inquirers. To fill this gap a great co-ordinated effort of study and research is necessary, it cannot but benefit the movement. This book does not attempt to fill the gap, but by evaluating afresh the position of the Co-operative Movement after years of war and social change, it may stimulate some competent body of students to do this job.

The book falls into four parts. The first deals with the problems of transition and economic policy in relation to the Co-operative Movement. The second deals with Co-operative trade and production—with retail distribution, prices, dividends and financial policy, with agricultural and industrial Co-operation and with labour relations in Co-operative enterprise. The third part tackles the relations between Co-operative Societies and the community, Co-operative activities in the undeveloped areas, the place of the consumer in Co-operative enterprise and politics and the problems of international co-operation and the fourth draws the conclusions of the study.

We hope that *The Co-operative Movement in Labour Britain* may contribute to a better understanding within the Co-operative Movement the trade unions and the Labour Party of the problems facing Co-operators and Co-operative organisations during the transition period, and to cement closer collaboration between the three wings of the working-class movement. Such collaboration is one of the main conditions of success in the struggle of the British people to achieve Socialism.

November 1947

## ECONOMIC POLICY AND THE CO-OPERATIVE MOVEMENT

By G. D. N. WORSWICK

### INTRODUCTION

*Let us Face the Future*—the declaration of policy on which the Labour Party was carried to political power in the 1945 General Election, will not suffer the fate of so many other election programmes and sink into oblivion. It will be re-

membered as the platform of the first majority Labour Government in Britain. And the subsequent action of the Labour Government in proceeding to do exactly what the programme said it was going to do will give to the document an exceptional importance.

"The Labour Party is a Socialist Party and proud of it. Its ultimate purpose is the establishment of the Socialist Commonwealth of Great Britain—free, democratic, efficient, progressive, public spirited, its material resources organised in the service of the British people. But Socialism can not come overnight, as a product of a week end revolution."<sup>1</sup>

*Let us Face the Future* followed the practice introduced in the Labour Party's 1937 short term programme of Socialism on the instalment plan, limiting its legislative proposals to the speed of the Parliamentary machine, including no more than it was thought might be carried out within five years. The instalment plan has obvious advantages in a political democracy. It is flexible, it limits the number of major issues put before the electorate at any one time, thus permitting a far more detailed and careful consideration of practical measures than would be possible in a revolutionary overthrow of capitalism. In the case of the nationalisation of industries, for example, later plans may be modified to take into account the experience of industries which have been running under public ownership for some time.

The dangers of this approach, however, are equally great. It is based upon the assumption that the capitalist machine will continue to function, or can be made to function, adequately, while the gradual reconstruction of the machine itself is going on. British experience in this respect is conflicting. Whether or not the "flight from the pound" in 1930 and 1931 was in any way organised by capitalist interests, there is no doubt about the effective and unscrupulous use which was made of it by Conservative propaganda to bring down the Labour Government. Against this must be set the "Industrial Charter" of 1947, in which the Conservative Party, officially at any rate, accepts as final much of the nationalisation already carried out by the present Labour Government, proposing only minor adjustments which do not infringe the principle.

For the time being, however, it is hardly worth speculating

<sup>1</sup> *Let us Face the Future* p. 6

about the possibilities of some kind of direct economic action by capitalists to bring down the Government. The temper of the Labour Movement itself is heavily in favour of attempting the process of gradual transformation. Only if a significant threat to the stability of the economy emerges is this temper likely to be changed and so far there are few signs of a change.

There is a second, and more subtle danger inherent in the Socialism by instalments plan. Different sections of the economy are classified according to their ripeness, or over-ripeness, for public ownership because they are in some sense key or basic industries, or because they are inefficient. As a result, Socialist economic policy has become unduly concentrated upon problems of extraction and manufacturing industry to the exclusion of distribution (other than transport) and of more general economic issues. The relative weakness of the Labour Party's own proposals for full employment, as compared with the liberal plan of Sir William Beveridge in *Full Employment in a Free Society* and the uncritical acceptance of the orthodox theory of the relation between general wage increases and productivity, are examples of the failure to grasp the problems of the economy as a whole.

As for distribution, wholesale and retail, in which the role of the Co-operative Movement is of great importance, the Labour Party has had no policy at all. *Let us Face the Future* does, indeed, refer to the alliance of the Labour Party "with the great Trade Union and Co-operative Movements, standing for the wise organisation and use of the economic assets of the nation for the public good".<sup>1</sup> But that is the only reference to the Co-operative Movement. There is no mention of it at all in the 1946/7 *Labour Party Year Book*. It is true that an agreement for closer relations between the Labour Party and the Co-operative Union, "the political and economic wings of the British Working Class Movement", was signed in September 1946. But against that we have a most significant statement by Mr G. L. Perkins, in his presidential address to the Co-operative Congress at Brighton at Whitsun 1947.

"While they had fully consented", he said, "to the nationalisation of certain basic services—mines, the Bank of England, transport, and power undertakings—it did not mean that the (Co-operative) movement was prepared now

or later to enter into a suicide pact for the transfer of its services, trades and industry, to any national boards or State Corporations

"There was no reason to suppose that the Government had any intention of undermining the position of Co-operative societies, but there were people who talked glibly of progressive and extensive nationalisation. Unfortunately, some co-operators were inclined to accept that proposition. There was no reason why the Co-operative movement and Socialism should not travel along parallel lines. But the movement had no intention of merging the economic organisation it had created, or the principles and traditions which it upheld, with State or municipality—or regarding the State or municipal activity in the spheres in which it had concerned itself as any substitute for Co-operative action."<sup>1</sup>

Mr Perkins went on to deplore the fact that the Co-operative Movement was not represented on the Ministry of Labour's National Joint Advisory Council, and to insist that any move in the direction of a planned economy should arise from the full co-operation of the Labour Party, the T U C and the Co-operative Movement.

The ominous reference to parallel lines—which never meet—is a warning of trouble ahead, unless the three wings of the Labour Movement can come to an effective working agreement about their respective functions. Even if the Labour Party were to restrict itself to successive nationalisations of industry, it would soon find itself crossing the Co-operative Movement. The latter probably has wider ramifications in industry than any private firm in Great Britain, and the C W S is among the three largest firms engaged in as many as twelve separate manufacturing trades.<sup>2</sup> The matter is even more urgent when we come to a policy for distribution. In this chapter we shall suggest some lines along which such an agreement can be sought. It will first be necessary to outline the present economic situation and to single out the principal economic objectives which the country must set itself, with particular reference to distribution. It will then be possible to see where the Co-operative Movement is involved.

<sup>1</sup> *The Times* May 27, 1947

<sup>2</sup> Leak and Maizels, "The Structure of British Industry" *Journal of the Royal Statistical Society* 1943



## BRITAIN'S ECONOMIC POSITION IN 1947

So many White Papers and official pamphlets have been published describing the economic situation in 1947 that a detailed picture is quite unnecessary here. We need only remind ourselves of its principal features.

### 1 *Imports and Exports*

A country which is fully employed, or even over-employed, when it looks at foreign trade, thinks of imports. It regards exports, not as a means of maintaining employment, but simply as a means of paying for imports. The planned increase of 75 per cent<sup>1</sup> above the pre-war level in the volume of British exports is not directly a part of the Government's employment policy: the increase is needed if we are to be able to pay for a volume of imports as great as we were accustomed to take before the war, and to make a start at paying off some of the enormous debts to overseas countries incurred in various forms during the war. Britain, from being still a great creditor country in 1938, is now, for the first time in modern history, a net debtor country. We now owe others more than they owe us. The target of a 75 per cent increase in Britain's export trade makes sense only if it can be assumed that there will be a considerable expansion in *world* trade, particularly of manufactures, and for this the signs are by no means favourable. Moreover, it is assumed<sup>2</sup> that there will be no deterioration in Britain's terms of trade—i.e., the volume of our exports which we have to give in exchange for a given volume of imports. In fact, the terms of trade had turned slightly against us at the end of the war, and have tended to do so rather more sharply since. Thus to pay for the pre-war volume of imports *may* demand an even higher export volume.

As we have already said, the world economic conditions which would make a 75 per cent expansion of *British* exports possible seem, to put it optimistically, somewhat unlikely. Even if a succession of unlikely chances were all to come off favourably, an expansion of this magnitude would make heavy demands on our man power. That is to say, the domestic

<sup>1</sup> This is an ultimate target: the *Economic Survey for 1947* set a target for the end of 1947 at 40 per cent above pre-war. It is now virtually impossible that even this level will be attained. The latest target is for a 40 per cent increase by mid 1948 and for a figure of 60 per cent above pre-war by the end of 1948.

<sup>2</sup> Cf. P. E. P. Report on *Britain and World Trade*, p. 62.

burden of alienating the production of an additional 750,000 to 1 million workers to exports would be heavy indeed. But that is what we must do unless we can increase productivity per man very substantially.

## 2 *Investment*

We find the same sort of problem if we look at home investment. Apart from direct war damage, there is a huge accumulation of investment, in new factories and new machinery, which is needed to make good the lack of replacements during the war, especially in consumer goods and export industries. And we need even more investment to raise productivity per man.<sup>1</sup> To this must be added the housing programme.<sup>2</sup>

## 3 *Consumption*

The volume of consumer goods and services which we can expect to attain in the long run will depend very much on our success in the export field and on the speed with which investment in new equipment is pushed ahead. And here we need to be warned against undue optimism based on the fairly high figures for consumption in 1946. In that year personal expenditure on consumer goods and services *at 1938 prices* was slightly higher than in 1938 itself.<sup>3</sup> In view of prevalent shortages, a few words should be said about this rather surprising result. In the first place, comparisons of the *volume* of consumption involve the "deflation" of money expenditure by the appropriate price indices. Had the comparison been made the other way round—that is to say had the 1938 expenditure on consumer goods and services been revalued at 1946 prices and then compared with the actual expenditure of the latter year—a slight *fall* between pre-war and post-war would have been observed. Moreover, as the following table shows, there have been considerable changes in the quantities of various items which we were buying: rises in the quantity of beer and tobacco consumed, being offset by serious cuts in

<sup>1</sup> More new capital is not the only way to do this. Indeed, we cannot afford to rely only on new equipment to raise efficiency. We must also tackle much more vigorously the question of industrial organisation.

<sup>2</sup> The cut of £180 million in the investment programmes for 1948 is made in order to make way for the expansion of exports. We shall still need the factories and houses whose construction is postponed.

<sup>3</sup> The totals were 1938 £4 252 million and 1946 £4 796 million. Cmd 7099 1947.

furniture and durable household goods and in clothing and footwear

PERSONAL EXPENDITURE IN CONSUMER'S GOODS AND SERVICES IN 1938  
AND 1946, EXPRESSED IN PRICES OF 1938  
(£ million)

	1938	1946	Increase (+) or decrease (-)
Food	1 258	1 232	- 26
Drink and tobacco	462	556	+ 94
Rent rates and water charges	491	514	+ 23
Fuel and light	195	215	+ 20
Household goods (furniture and other household goods)	288	191	- 97
Clothing and footwear	446	330	- 116
Books newspapers magazines	64	88	+ 24
Private motoring travel and communica- tions	316	339	+ 23
All other goods and services	732	831	+ 99

In comparisons of this kind it is extremely difficult to make adequate allowance for changes in the quality of goods and services. A passenger-mile travelled in a slow and crowded train in 1946 corresponds to less welfare than an equivalent journey in a fast and half empty train in 1938. The changes in the quantities consumed undoubtedly reflect far more changes in supply conditions than any change in consumer's tastes. Had the sum of £4,296 million, which represents the 1946 expenditure at 1938 prices, been given to consumers to spend, and, at the same time, all goods had been available to any required extent at 1938 prices (instead of being rationed, or simply short), there can be little doubt that they would have bought more meat, butter, furniture and clothing and less tobacco and entertainment. Consumers on a whole, therefore, in 1946 were hardly as well off as in 1938 but the drop is not as big as daily experience of queues and shortages would suggest.

The high level of consumption in 1946 was made possible partly by running down stocks: this probably did not make any large difference, but it is something which cannot be repeated. On the contrary, if stocks are to be restored to reasonable levels at some future date, consumption for the

time being would have to be reduced *pro tanto*. It was also made possible by the fact that, as the posters insist, of three shiploads of imports one comes in on tick. If imports have to be cut it is highly probable that the volume of consumer goods and services available will be affected immediately. We had a foretaste of this in the tobacco cuts following the April Budget. And imports must be cut unless exports can be increased.

#### 4 Man power

If exports are to be raised, the housing programme to be carried out, industrial investment provided on a scale which will raise productivity per man significantly in the next few years, and at the same time consumption maintained at a level approximating that of 1938, it seems that we need a good deal more man power than is in fact available. The position at the beginning and at the end of the war and in December 1946 is shown in the following table.

ANALYSIS OF MAN POWER IN EMPLOYMENT IN GREAT BRITAIN<sup>1</sup>  
(Thousands)

	June 1939	June 1945	June 1946	Dec 1946
Military	1 750	8 920	2 748	1 886
Export	1 150	424	1 323	1 4 6
Home investment	3 055	1 668	3 347	3 611
Home consumer's goods and services	6 972	6 292	7 597	8 095
General purpose goods and services	2 088	2 172	2 333	2 351
Public service	1 465	2 030	2 099	2 130
Total in employment	18 480	21 506	19 447	19 549

In terms of man power alone, to restore the numbers engaged in "Home Consumer's Goods and Services" to the pre-war level and to raise export man power to 75 per cent above pre-war requires either (1) a very large increase of man power in employment, or, (2) drastic cuts in the military and public service items. The Government is conducting a campaign to bring more women back into industry, but results so far have not been very great. As for (2), recent pronouncements have made it plain that cuts in the public services can

<sup>1</sup> Source: Economic Survey for 1947

not be large while rationing continues, and the situation is such that rationing must continue if we wish to avert a disastrous inflation. The arguments that Britain can no longer afford the heavy military expenditure originally planned for 1947-8 were slow in convincing the Government and the House of Commons. The reduction in expenditure is now being made more quickly, but the extra releases of man power will not close the man power gap.

Finally, there is not, as there was in 1939, a huge reserve of unemployed to draw upon. It may well prove possible to reduce the number out of work on a particular day from the present 250,000—1·6, about 1½ per cent—at which it is running at the moment, when the building plans for development areas are completed, but not very much can be expected from this quarter. Even with full powers of direction of labour at its disposal, the Government was not able to bring it much below 100,000 during the war.

Plainly the targets for exports and home investment are not compatible with the attainment of the pre-war standards of consumption or the maintenance of the present, and projected scales of military expenditure *unless* there is a very sharp increase in productivity per man throughout the entire economy. The *Economic Survey* itself stated that "To get all we want, production would have to be increased by at least 25 per cent." If we cannot get the increased output per man, then one or other of the targets will have to be sacrificed. Yet, apart from the military target, the only one which can be sacrificed without merely postponing the day of reckoning is the current output of consumer goods and services for the home market.

### 5 Inflation

The situation is, in fact, more serious than the man-power tables above suggest. There is in most man-power comparisons the implicit assumption that the 1938 figures and the outputs corresponding to them are in some sense normal. If we can get back to them we shall be well on the way to prosperity. But a restoration of pre-war consumption levels would not eliminate shortages. For shortages are an expression of the gap between demand and supply. And post-war demand is very great. The level of employment is higher, and, in addition, there is the accumulated demand of the war years, the "saving-up" which was forced upon consumers during the war.

by rationing and simple shortage of supply. Consequently, there is a persistent tendency towards inflation which is checked, if only partially, by rationing and price control. This accumulated demand is so great that attempts to close the gap between demand and supply by attacking current demand through heavier taxation or reduced Government expenditure cannot succeed in a short time.<sup>1</sup> So long as there is a threat of inflation, the Labour Government is bound to insist that rationing and price control shall be maintained and even extended, in order to ensure "fair shares" in the distribution of essentials. But the extension of these controls becomes increasingly difficult—perishable foodstuffs, such as fruit and vegetables, are obvious examples—and makes further claims on "man-power for the public service" if they are to be effective controls. Yet, if they are not extended, the surplus purchasing power flows towards the free sectors, and attracts labour and capital into non-essential production, and this, in its turn, aggravates the "shortage" in the controlled sectors.

### 6 *Increased Productivity*

From this brief account of the economic position of Britain it is plain that the task is not only one of increasing productivity, but of getting a large increase quickly. So far, however, the production drive has been far too narrowly conceived. In the first place, it is directed mainly at the factories and mines. This is all very well as far as it goes, since, in the very short run, increases in efficiency in many industries will be wasted if the output of coal, steel and cotton yarn cannot be increased. It is, however, psychologically unsound to put the whole burden on the factories, and to pay no attention to distribution. Moreover, if we can save man-power in distribution, more will be available for manufacturing. Before the war well over a quarter of the men and women in employment of all kinds were engaged in distribution, in packing, handling, transporting and selling goods.<sup>2</sup> To raise "output per head" in distribution by 10 per cent is equivalent to saving half a million workers.

<sup>1</sup> Cf. *Bulletin of the Oxford University Institute of Statistics* March–April 1947.

<sup>2</sup> Cf. *Distribution—The Case for a National Census* Fabian Research Series No. 108 p. 9. In 1931 the number engaged in commerce and finance transport industry (goods only) warehousing store-keeping and packing and in the commercial, distributive and transport sides of productive industries was 5,375,000—i.e. 25.5 per cent of total persons occupied. This proportion was probably higher in 1938.

Secondly, the production drive is too narrowly directed towards increased effort and more regular attendance of the individual worker. Both are important. But again they are only part of the story.

New equipment is necessary here the Government cannot be accused of ignoring the principle, even if the practice is not up to the mark. But far too little is said about industrial re-organisation, to make the best use of *existing* plant and equipment, about standardisation, about concentrating production in fewer plants which will run to capacity, and about specialising firms in particular lines of production. Yet it is just here that the greatest *immediate* increases in efficiency are to be found. And, as we shall argue below, one way to bring about this *industrial* re-organisation lies through a policy for distribution.

### *The State and Distribution*

Between 1924 and 1938 the numbers of insured workers occupied in the distributive trades increased by 55 per cent as compared with an increase of less than 10 per cent in "productive" industries. The *disproportionate increase in distribution*, and other services, was partly the result of rising living standards. The distribution of income and wealth in Britain was extremely unequal and, while rising incomes of workers might simply mean the purchase of more goods, the middle class and rich would spend a high proportion of the increments of income on services, among them distributive services. Rising real income is hardly sufficient, however, to explain the extraordinarily rapid growth of distribution. Advertising and variety production of manufacturers, and the substitution of "service" competition for price competition, have meant that where economies in manufacturing and distribution have been possible, they have not been passed on to the consumer in lower costs, but in yet wider variety and further services which he may or may not wish to have. The upward trend in distributive man power was sharply reversed during the war. In June 1939, 2,887,000 persons were employed in distribution in the narrower sense of retail and wholesale trade.<sup>1</sup> At the end of the war the number was down to 1,958,000, but since that time numbers have increased once more, and by December 1946 had reached 2,304,000. As the volume of retail trade in 1946 was of the

<sup>1</sup> This is of course a much narrower definition of distribution than that used above.

same order of magnitude as in 1938, but distributive manpower was on the average less than four-fifths of pre-war, it looks as though there must already have been an increase in the efficiency of distribution, especially when we take into account the added work with ration coupons, etc., which must be done. In some instances this may be correct. But to a certain extent the task of retail distribution has been shifted on to the shoulders of the housewife, who to day must do more fetching and carrying than she did before the war. In this respect the middle class and well-to-do housewife is relatively worse off, since she was the principal consumer of ancillary distributive services before the war. As a nation, however, we cannot afford to allow the numbers engaged in distribution to continue to rise. On the contrary, we want, if we can, to get them down again, so as to increase manpower in the factories. The trouble is that individually we can afford more distributive services, in the sense that there is the purchasing power which individuals are prepared to spend on services. Aggregate demand for all goods and services does, in fact, exceed aggregate supply, and will continue to do so for some time to come, if the Government continues to hold prices in check by direct control and by subsidy, and if it does not, we shall be in for a disastrous inflation.

The main emphasis in our discussion so far has been laid up on saving manpower in distribution itself. The reorganisation of distribution may, however, also help to increase efficiency in manufacturing. Manufacturers can specialise, and produce long runs, only if distributors are prepared to place large orders at regular intervals. If, as was happening more and more in the 'twenties and 'thirties, wholesalers pass on immediately small orders collected from retailers, the production programme of manufacturers is broken into fragments, and seasonal peaks are aggravated. The restoration of wholesaling, in its proper form of financing stocks and "bulking" orders, is essential to the improvement of efficiency in manufacturing.

There are three broad types of policy which will tend to reduce distributive costs, and also the manpower engaged directly or indirectly in distribution. In all three the Co-operative Movement can play an important part.

1. The first line of attack is to attempt to direct competition in distribution towards reducing costs rather than increasing services. If, for example, delivery costs were charged only to consumers who took delivery, instead of being charged, as



at present, both to those who take delivery *and* those who go to the shop, so that the latter are compelled to subsidise the former, the amount of delivery services would surely be less. This policy, however, involves a direct attack on the principle of resale price maintenance, on the firmly established system under which the *manufacturers* dictate retail margins and stop supplies to 'cut price' shops.<sup>1</sup>

The objection that an intensification of "price competition" will lead to sweated-labour conditions for shop assistants is invalid. The wages and conditions of the shop assistants will be safeguarded partly by existing legislation and for the rest by the strength of their Trade Union organisation. If the latter is weak, wage levels will be low, whatever the form which competition among retailers takes.

Serious practical difficulties are likely to be encountered, however, in this kind of policy. It involves legislation to govern trading practices, which is likely to be extremely complicated to draft and difficult to enforce. This is no reason why such practical steps as are possible in this direction should not be taken. Further, if the general argument is sound, the process may be supported by direct action of the Co-operative Movement itself. In some trades the Co-operative Societies already sell a significant proportion of the national total. They should direct their drive for expansion towards cost reductions rather than service competition. Moreover, they should go for low prices and low dividends, rather than high prices and high dividends. The existing Co-operator is, of course, indifferent to the prices charged for particular goods,<sup>2</sup> as he gets the surplus back in dividend.

2 The second method—the control by the Government of wholesale and retail margins—might be considered simply an intensification of the first. The first is designed to remove "restrictive practices" and to sort out the system of costing and pricing so that the customer pays for what he gets. If he wants frills, he must pay extra. Now we go a stage farther, and fix the margins themselves, always pressing them down so as to stimulate efficiency and to extrude the inefficient firms. It

<sup>1</sup> In autumn 1947 the President of the Board of Trade appointed a Committee to inquire generally into the practice of resale price maintenance and to report whether steps are desirable 'to prevent or regulate' these practices.

<sup>2</sup> Except that the 'surplus' on different lines of trade may differ. In this case a Co-operator who purchased only one item would gain by the cutting of the price of that item for he would continue to receive a dividend only slightly reduced by the price-cut of one particular article.

may therefore be objected that this policy is subject to all the practical difficulties encountered above. If it were applied to the whole retail trade this would be so. But it may be applied to certain types of commodities, without having to go into the question of what cost elements the particular margin is supposed to cover. We could simply take existing margins and order that they should henceforth be cut by  $x$  per cent. This is a perfectly straightforward matter where the goods are complete when they leave the manufacturer, and need no "making up" in any form by the distributor.

It is true that a general reduction of margins would tend to squeeze out the "high margin" high-quality products, with a low rate of turnover. In the long run this might be a weighty objection. In the present crisis the risk should be taken.

3. The first two methods of attacking the distribution problem amount to removing restrictive practices by legislation, and to relying upon price competition to increase efficiency, or else replacing the latter by direct administrative action upon the distributive margin. If the principle is simple, the practice is bound to be as complicated as the structure of distribution itself. Moreover, there is plenty of evidence that if one tries too hard to push and squeeze the energies of private enterprise into the direction of the national interest, these energies may be concentrated upon evading the controls and frustrating their purpose.

We encounter none of these objections if the Government (National and Local) goes into the wholesale trade itself, or socialises the distribution of a particular commodity. As a large buyer, it is in the same position *vis-à-vis* manufacturers as were the Supply Departments during the war. Through the contracts it places it can encourage the efficient firms to expand, by taking the risks of marketing off the shoulders of manufacturers it can encourage them to specialise, to reduce their range of production, and thus increase their efficiency. And, just as the Ministry of Food<sup>1</sup> controls the retail food trade, a State Wholesale Agency can, by controlling retail margins, reduce distributive costs and man-power. The arguments for State wholesaling have, however, been developed elsewhere,<sup>2</sup> and need not be repeated here.

<sup>1</sup> The Ministry of Food is in fact a State Wholesale Agency, or controls such agencies, in many lines.

<sup>2</sup> Cf. E. F. Schumacher "An Essay in the State Control of Business" *Agenda*, 1944, and R. G. Hawtrey, *Economic Rebirth*, 1946.

What would be the attitude of the Co operative Movement to a development of this kind? Certainly, if the scale of operations was to be large enough to affect significantly the man power problem it would be impossible not to encounter the C W S or the S C W S. Would the Co operative Movement be prepared to cede parts of its present field to National or Municipal Wholesale Agencies, or would it join hands with the opposition which is to be expected from the private traders affected?

### *Economic Planning and the Co operative Movement*

The Co operative Movement grew up as a voluntary organisation within the framework of a capitalist economy. Its strength lay in the devotion of its members, the concrete advantage of retaining the trading surplus for its members, and more recently, the economies of a large scale trading organisation. There are some Co operators who believe that the Co operative Commonwealth will come about through the continuous expansion of the Co operative Movement, an expansion in membership at any rate, almost unbroken in its continuity for a hundred years. But this transformation even if it met no resistance would be very slow, and has little to do with our problem. The effects of two world wars upon the British economy have been such that only a great increase in our overall efficiency in industry and trade will enable us to maintain and improve upon a standard of life which we had come to accept as normal.

Great movements of this kind do not happen of themselves, they must be planned. This means action by the State. Up to the Second World War the Labour Party was able to avoid the issue of the Co operative Movement—by the simple device of having no particular policy for distribution at all. Now under the pressure of the man power shortage the Labour Party and the Labour Government are being forced to develop a comprehensive economic plan in which distribution must have its proper place.

It would be disastrous if such a plan were made which took no account of the special function of the Co operative Movement. Economic planning means using our resources to the best advantage to meet consumers' needs. These needs can be sought through a market mechanism or more directly by consumer's organisations such as the Co-operative Societies, or the consumer's representative Central and Local Govern-

ments The ordinary market mechanism is not the perfect device it was once thought to be Other more powerful pressures need to be brought to bear to safeguard the consumer He may either organise directly with other consumers in the Co-operative Movement,<sup>1</sup> or use the instruments of central and local government to control prices, to regulate production and so on The best form of consumer representation may differ from commodity to commodity and from trade to trade Would it be better, for example, to handle coal distribution through Co-ops, or through municipalities?

What is needed is not the staking of claims by different sections of the Labour Movement to particular branches of industry and trade, but the carrying out of a common policy which will give full weight to the democratic character and practical experience of the Co-operative Movement This is a matter, in the first instance, for the National Council of Labour, which should be empowered by all three parties to draw upon, and if necessary strengthen, the research sections of the Labour Party, the T U C and the Co-operative Movement The need for such a policy is great, both for the economic recovery of Britain in the immediate future and for the development of a better social order

<sup>1</sup> In determining what they should sell, and how they should sell Co-operative Societies use both a price mechanism *and* direct regulation by the consumer through management committees

## II CO-OPERATIVE TRADE AND PRODUCTION

### THE CO-OPERATIVE MOVEMENT AND RETAIL DISTRIBUTION

By J A HOUGH, M A

THE Co-ops " or "the Stores" are now such a familiar feature of the domestic and social life of the United Kingdom, that the economic significance and possibilities of this type of retail business are frequently overlooked. Technically, the businesses so described are Co-operative Societies. Legally they are Industrial and Provident Societies, their main distinction being that of distributing trading surplus as dividend on purchases, and not on shareholdings, with the limitation of interest on their share capital to a fixed nominal rate much in line with the national level of interest rates. Their members are at the same time their shareholders and customers.

In little more than a century this method of retailing has developed and firmly established itself in the distributive economy of the country. Basically it is a consumer's affair, and now it has grown organically to the stage when it can be rightly described as a "co-operative movement", although it is a loosely knit type of organisation with its individual societies retaining a very large degree of autonomy and independence.

Whilst this Consumer's Co-operative Movement at the present time has wider interests than retailing which take it in a very effective sense into the spheres of wholesaling, production, banking and insurance, its basis is fundamentally concerned with retailing. The first practical steps in trade were taken in the sphere of shop-keeping, and it is its position in shop-keeping which to-day conditions much of its other development.

It is not the purpose of this essay to deal with the early history of consumers' co-operation in the United Kingdom. For convenience the commencement of the Co-operative

Movement as it is understood to day may be accepted as in 1844, because that year saw the formulation of the Rochdale Principles which have become the code for all consumers' societies since then. From that beginning in shop-keeping in 1844 there have grown the present day large-scale retailing activities of Co-operative Societies.

By the beginning of the present century retail Co-operative Societies had reached their peak in a numerical sense. In 1903 there were 1,455 separate societies which is the highest number recorded. They were dispersed over practically all areas of the country, and comprised in the main a large number of small organisations, with few large societies, and none of great size as judged by present standards. Since that time the number of individual societies has steadily decreased through amalgamations, and, conversely, the average size of society has increased (see p. 11).

The first approach to retailing on the Rochdale Plan was in groceries and one or two sundries of the kind normally sold by grocery and provisions merchants, as instanced by the initial stock of the Rochdale Pioneers Society. These articles are in line with the consumer's first needs, and it was the bad social and economic conditions resulting in high prices and poor quality which indicated the approach to consumers' Co-operative effort in the early part of the nineteenth century.

That departmental stress from the initial stages is important to note, for as societies were formed and developed the stress remained on grocery and provisions. The Retail Co-operative Societies of to-day are dated by the manner in which they started. In those early days nothing in the nature of the modern highly developed retailing in non-foodstuffs was known. Nevertheless, the next department in Co-operative trade to be developed was described by the omnibus phrase 'drapery', a term still used in Co-operative trading nomenclature, and which in many instances to-day is still very much of a compound description.

As Co-operative Societies grew in size and greater specialisation and departmentalisation of trade became possible the grocery and provisions department became split up over grocery, provisions, bread, confectionery, meat, milk, fish, greengrocery and the usual sub-divisions, together with coal. Likewise, the drapery department expanded to cover drapery, men's and women's wear, footwear, furnishing, hardware, and all the main categories found in non-food retailing. Some of the

small village Co operative Societies still in existence to day conform to the earlier original type

With one or two exceptions Co-operative Societies had reached a limit of departmentalisation twenty or thirty years ago, which has not been altered in the meantime in any spectacular fashion. The exceptions are the somewhat rapid development in the milk trade since about 1930, and the development of the chemist's department in the last ten years or so. Other modern departments emerging in recent years in a smaller way are electrical goods, radios, jewellery, etc.

In a recent census of Co operative shops and retail outlets based on the latter half of 1946, the following figures, which provide a fairly accurate post war measurement of the position, are indicated

<i>Department</i>	<i>No of shops</i>
Grocery Provisions Bread Confectionery and Cooked Meats	11 567
Cafe and Restaurant	707
Butchery	5 273
Greengrocery Fruit Fish Florist	1 217
Department Stores	127
Drapery	1 972
Tailoring and Outfitting	694
Boot and Shoe	1 068
Furnishing Hardware Jewellery Radio Electrical and Cycles	1 017
Chemist	724
Hairdressing	176
Miscellaneous	1 052
Total	23 094

The societies in the aggregate had over 100,000 'Sales Points' this number being accounted for by shops which sell more than one main category of goods in the above departmental list. The total number of retail outlets includes about 19 000 sales delivery vehicles dealing in milk, bread and coal.

The number of shops in 1946 was about 1 000 more than in a pre war census taken in 1937. In the meantime some grocery and provisions shops and butchery shops had been acquired, the number of shops dealing in greengrocery and fish had decreased whilst the number of chemist shops had almost

doubled. The number of shops in tailoring and outfitting and footwear had decreased a little, possibly due to the closing down of some smaller branches in the war-time period of very short supplies.

Total retail trade of Co-operative Societies in 1946 was £402.5 million, and the rough proportion of departmental trade to the total trade, together with an estimate of the proportions of national trade, transacted by Co-operative Societies in the main departments is indicated in the following table. It will be appreciated that the totals of national trade on which the percentages given are based are estimates only, in the absence at the time of writing of a census of distribution.

<i>Department</i>	<i>Percentage of total co-operative trade</i>	<i>Percentage of national total</i>
Grocery, Bread and Confectionery	41.3	16.0
Tobacco and Cigarettes	12.0	8.2
Meat	8.3	12.0
Dairy	11.8	32.0
Apparel, Household Textiles, Furnishing and Hardware	13.4	6-7
Footwear	2.7	10.0
Pharmacy	1.6	6.0
Coal	4.5	15-20

In addition to the clear contrast brought out in the above figures between the position in the main food departments and the position in the main non food departments (with the exception of coal), other evidence is forthcoming to illustrate differences inside the food departments according to the degree of standardisation in particular commodities. During the war statistics of registrations in rationed commodities held by Co-operative Societies showed that in sugar, butter, margarine, cooking fats, preserves and cheese more than one-quarter of the civilian population were registered with Co-operative Societies. (The figures for bacon represented a slightly lower percentage.) These commodities, and milk, represent fairly standardised categories of goods, and they thus represent the highest degree of Co-operative penetration into retailing in any department. From the above table it will be seen that coal sold by Co-operative Societies is 15 per cent to 20 per cent of total distribution, and it may be added that bread (separated from confectionery) is about 20 per cent, and tea also is estimated to be about 20 per cent.



The next most important group of commodities in which penetration has gone ahead is that covered by the "points" rationing scheme covering canned goods, biscuits, etc. Two or three large statistical samples taken at different intervals during the latter years of the war suggest that under this secondary points rationing scheme Co-operative Societies handle the 'points' trade of 15 per cent to 16 per cent of the civil population. The difference between the Co-operative figures resulting from the two rationing systems is interesting. In the 'points' rationing scheme consumer choice of retailer is allowed the whole of the time and without registration, and—what is perhaps just as important—the scheme touches on the sphere of branded and proprietary goods in foodstuffs.

The proportions of national retail trade transacted by the Co-operative Societies in the main classes of non foodstuffs with the exception of coal are considerably lower than in any of the foodstuffs groups. Of the non foodstuffs departments, footwear has the best figures, they handle about 10 per cent of national trade. Making a broad division between household textiles and furnishings on the one hand, and apparel and 'fashion' goods on the other hand,<sup>1</sup> it is possible to assert with a good deal of assurance that Co-operative trade in the first-named group is a much larger percentage of national trade than in the last named group.

The measurement statistics of the present position in Co-operative departmental trade reflect the history of Co-operative development in retailing. In the minds of most consumers, and indeed most members, Co-operative Societies in a primary sense are food distributors and they have not, and never have had, the reputation of some other types of retail business in the non foodstuffs trades.

Such a distinction is of great importance when it is appreciated that economic and social change in the last twenty or thirty years has affected very greatly the background against which Co-operative Societies are operating. Economic changes in retailing are evidenced by the development of department stores, bazaar stores and specialist chain stores representative of a corporate capitalism in retailing. In recent years it is these organisations which have developed most quickly and set the standard and pace of change in retailing. Social change is reflected in retailing by a higher standard of living, which generally leads to a greater volume of business in the

<sup>1</sup> Included in one comprehensive item in the table above

non foodstuffs departments and to complementary changes in the shopping habits of consumers

Some of the very large Co-operative Societies in the cities and large towns are able to present effective competition to the other types of retail business in the non foodstuffs departments. This is particularly so where they have acquired Co-operative department stores or clusters of shops as their central premises which are equivalent to department stores. Many smaller societies, however, are not competing effectively in these trades, nor can they if each society does not cover a recognised city or large town shopping centre. Nationally the Co-operative Movement at the present time offers no effective competition to the bazaar stores or mail-order business. The movement is not operating in the non-foodstuffs class of business in a large enough way. That fact lies at the root of much internal and external criticism of the efforts of Co-operative Societies in these trades. Co-operative selling capacity is not anything like large enough in the main non foodstuffs departments.

In this immediate post-war period (which, by the way, gives a seller's market in the trades under discussion) the Co-operative Movement is uncomfortably aware of its position. The importance of economic and social change over a period of years, to which reference has been made, is not, however, the only type of change affecting the background against which the Co-operative Movement is operating. What may prove to be of even greater importance is the changing political background demonstrated by the election to power in 1945 of a majority Labour Government. The Co-operative Movement developed during its first century against an antagonistic background of a capitalist economic system. Its own system of dividend on purchases made it in theory a non-profit-making organisation, and its democratic constitution, which gives each member one vote, challenges the accepted type of business organisation and achieves its present degree of success against that background. At the present time it not only has to occupy itself with competition from this old source, but in addition has to seek to clarify and declare its policy against the possible new background of State or Municipal trading.

What must be envisaged from now onwards in this connection is not merely the State or Municipality engaging in trade *alongside* Co-operative Societies and private traders, but

understood that a somewhat similar type of development in Scotland is contemplated by the Scottish Co operative Wholesale Society Limited (which covers the retail societies in Scotland)

There are signs also of other progress in the direction of 'closing up' in the ranks of the retail societies to overcome the strict territorial limitations of separate societies. One of these examples is found in the establishment of District Societies, a group of retail societies in one district grouped together federally for the carrying on of some type of trade for which the separate societies are not themselves equipped in all cases owing to their small size. This feature of Co operative activity is not new in the sphere of Co-operative production and services but it is new in the sphere of retail distribution.

Another significant development which has come into prominence in a special manner during the last two years particularly is what are termed 'Schemes of Inter Trading'. These schemes consist of special arrangements made between a number of societies in an area or district whereby any member of any society in the scheme can make purchases at the shops of any of the other societies in the scheme and obtain a discount on the price in lieu of dividend on purchases. These schemes are not new in principle, but their sudden development, which continues at the present time, is a pointer to be noted.

Simultaneously with the quickened interest in local schemes of inter trading, an important investigation on much larger lines has taken place since the Co operative Congress of 1945. This Congress gave power for the formation of Special Commissions to investigate from time to time certain technical problems in the Co operative Movement, such commissions to submit reports in the manner of Co-operative 'White Papers'. The first commission of this kind was founded before the end of 1945, and charged with the responsibility of examining the possibility of creating a scheme of 'national' membership in the Co operative Movement. The commission completed its report in 1946, and the subject was considered by retail societies and approved in principle by the 1947 Congress.

The report makes provision for a scheme of "national" membership to allow automatic dividend rights to all Co operative members when making purchases in societies other than their own, the dividend to be based on the rate declared by the selling society in its last accounting period. The tech

nicalities of the proposed scheme are relatively simple, and consist of the coding of all retail societies by letters pre fixed to the member's share number. The transaction records connected with this scheme would be cleared monthly between societies by the Banking Department of the C W S for England and Wales, and the S C W S for Scotland.

The adoption of this scheme of 'national' membership would transcend all the area schemes of inter-trading, and in effect create one large national scheme of inter-trading.

These signs and portents within the Co-operative Movement in very recent years provide some indication of the measure of concern now felt about the position of Co-operative retail trade—particularly, but not altogether, the trade in the non-food departments—in this critical post-war period. Such signs are healthy and good as far as they go. The question, however, as to whether any of the plans made by the Co-operative Movement in recent years for the development and extension of its retail trade and services are large enough remains to be seen. Ordinary wear and tear replacement and re-adaptation should not be mistaken for progress and development.

The Co-operative Movement is now a very large organisation—one of the largest in the world. In the aggregate it may be said also to be a very wealthy organisation viewed from the standpoint of its accumulated capital resources. Its responsibilities also are on a vast scale. It should therefore plan on large and generous lines.

At the present time voluntary co-operation is being watched and tested not only by its antagonists, but also by its friends. If the principle of voluntary co-operation on which the British Consumers' Co-operative Movement rests can acquit itself well in these days, it may save for the world something of infinite value.

## THE LABOUR GOVERNMENT AND CO- OPERATIVE PRICE, DIVIDEND AND FINANCIAL POLICY

By H J TWIGG

TO ENVISAGE the impact of Labour policy, as it emerged in the first months of Labour Government, on the policies and practice of British retail Co-operative Societies, it is necessary

to have a general view of the position of such societies, and their relation to the national economy as a whole, when Labour took office. The paucity of available statistical data as to retail distribution in Britain makes this task partly one of estimation rather than precise statement, and the long-established desire of co-operators for publicity in trade matters has been reflected in the staunch support which they have given to Board of Trade plans for a Census of Distribution, at a time when most other organised distributors were busily denouncing such plans.

For the year 1945, in which Labour took office, the aggregate trade of the store societies of Great Britain and Northern Ireland was some £361 million, comparing with £352 million in the preceding year, and with £272 million in 1939. By comparison with the official cost-of-living index, co-operative trade had just about maintained its pre-1939 position, but both the index itself, and also the balance of distribution, had been so distorted by war-time developments as to make any such comparison unrealistic. Pre-war estimates, very tentative in character, placed co-operative retail trade totals at about 12 to 15 per cent of national totals, but with a heavy bias towards the food trades. Very provisionally, the co-operative proportion of the nation's grocery trade was put at near 20 per cent, for the meat trades a figure of around 10 per cent was suggested, in milk the decade prior to 1939 had witnessed rapid development, and by the latter year nearly 25 per cent of the nation's milk bill was paid to co-operatives, in the household fuel trade around 15 per cent of the trade was in co-operative hands, but for the clothing and furnishing group of trades a far lower proportion—at best 8 per cent—could be claimed.

Ignoring price changes and the effects of taxation, the general basis of war time restriction and control of supplies was to cut down clothing and furnishing supplies (branches of trade under developed by the movement as a whole) much more drastically than foodstuffs, and also to tie consumers to a single retailer by rationing for certain supplies, intensified, in the special cases of milk and fuel, by refusing to consumers the option to change suppliers. The consumer, in such circumstances, was quick to appreciate the practical convenience of registering with "the Co op" as an all purposes retailer, and, on the whole, the policy of societies as to equitable distribution of goods in short supply commended itself to the public, and led to a gradual rise in the proportion of controlled trade

secured by the movement. If the co-operative retail trade total already quoted be contrasted with the national totals, derived from the White Paper on National Income and Expenditure, excluding from the comparison the alcoholic drinks industry, in which co-operators have so far been reluctant to engage, a proportion of some 14 per cent emerges as the co-operative contribution, suggesting that the movement at least held its own, and perhaps improved its position in relation to national trade totals, up to 1945. What has happened since, with Labour policies in relation to supplies and controls, the trend of trading expenses, and the control of retail margins, with its repercussions on co-operative dividend distributions—these are the themes for our survey.

### THE EFFECTS OF FULL EMPLOYMENT

Until the intervention of the electricity cuts of February, 1947, which caused serious industrial dislocation and unemployment, the first year and a half of Labour Government had been accompanied by as near an approach to full employment conditions as we are likely to witness in a complex industrial structure such as that of Britain, in which a measure of seasonal and transitional unemployment is inevitable. In many areas the trend of co-operative sales is an accurate index of the local level of working-class incomes, and, since these incomes were fairly well maintained throughout 1945 and 1946,<sup>1</sup> the typical store society in Britain showed substantial increases in sales for the period. Preliminary estimates suggest a co-operative retail sales total for 1946 some 15 per cent higher than for 1945—i.e., of about £400 million or a little over—and the increases were in the main attributable to an actual increase in the goods physically handled, and not to price rises, which, for the range of commodities handled by co-operatives, were probably not more than 4 per cent for the year, although a further upward movement of prices is discernible early in 1947. A significant sales increase in the London area reflects in part the return of population, and the Midlands, the North-East Coast and South Wales, with local unemployment and loss of high war-time incomes in some areas, show smaller increases than elsewhere.

<sup>1</sup> The losses occasioned by the movement of married women out of employment, and by reductions in overtime week-end and piece rate earnings being compensated by the return of workers from the Forces with their initially stimulated spending power in the form of gratuities, etc., and by the upward trend of wage rates.

The sellers' market in retailing which had, because of general supply shortages and the excess of purchasing power, characterised most of the war period, continued throughout 1945 and 1946, but co-operatives found, as the latter year drew to its close, and supplies in certain lines, notably of hardware and ironmongery, and also certain fancy goods, became relatively abundant, that the public were, so to speak, once again becoming "choosy", although attractive selling lines still disappeared very quickly, and the demand for household requirements and replacements, dammed up for six years and reinforced by the initial achievements of the Government's housing programme, was almost illimitable. The operation of such controls as coupon rationing for clothing, vouchers and dockets for utility furnishings, curtains, etc., rather than limits of available cash, were the really effective limitations on public spending in these fields.

There are, however, certain lessons for Labour supporters to be drawn from recent co-operative experience in such matters. A frequent and justifiable theme in Socialist discussions has been securing the large-scale economies possible in manufacture and distribution of household requirements on standardised mass production lines. To some extent this policy has been applied during and since the war, with the utility clothing and furniture schemes—and the plain fact which has to be faced, however much we may dislike it, is that such policies provoke consumer resistance. The British public have little objection to standardised foodstuffs such as bread and milk: they will tolerate—though not without suspicion—the "tin-opener economy" associated with the points system—but they dislike, and will avoid whenever possible, the standardisation of clothing and furniture—as witness the fantastic prices readily paid for non-utility articles of the most doubtful quality.

Another factor which, from the electoral angle, must be weighed in the light of recent co-operative experience is that of the growing exhaustion, and sense of frustration, of the average housewife. In the period of Labour Government—and subtle suggestions that it is *because of* Labour Government are only too frequent—her domestic problems have been intensified. Menfolk, returned from the Forces, are irritated by the unfamiliarly low level of their civilian rations. The problem of two women sharing one kitchen, and two or more families one house, is the inevitable consequence of the housing shortage, and has been especially marked during the winter fuel cuts.

Queueing for some supplies is worse than ever, because women who have left employment have time now to queue, and bread rationing has been a further irritant, not mitigated by the extreme clumsiness of its application, and the widespread evasion which rattles the law-abider. To this bad harvest conditions in 1947 have since compelled the addition of potato rationing and so brought under quantity control, the last of the previously unrestricted 'filler foods'. The refusal of extra clothing coupons for household refurbishment, seen by the housewife in sharp contrast with the ultra-generous allocations to the demobbed, has shown a lack of appreciation of the housewife's war services and sacrifices, which annoys her. As seen from the salesman's side of the co-operative counter, the housewife is not 'swinging to the Tories' in any political sense—indeed, there is still a considerable sympathy with Labour, and a feeling that the Government must be given a fair chance—but there is a lot of dissatisfaction. It would be a salutary experience for some of our armchair controllers to make frequent visits to a complaints meeting of a local branch of the Women's Co-operative Guild.

#### THE EXTENSION OF SOCIAL SECURITY PLANS

The beginning of family allowances in August, 1946, and the application of higher old-age pension rates in October, 1946, were very substantial measures of redistribution of working class incomes, which have had their effects on the movement of co-operative sales. Compensated by increased contributions from employed contributors, which have been felt but little, as they coincided, in many industries, with an upward turn of wage rates, their general effect was to stimulate sales of foodstuffs and essentials to the poorer co-operative members, and there can be little doubt that the extension of this policy, when the National Insurance Act comes into full operation in early 1948, will give further stimulus to co-operative sales. The restrictive effects of supply cuts, arising from the balance of payments crisis of 1947, may serve to *check* this upward movement, but the trend of retail prices is still upwards in December 1947. Incidentally, the new legislation makes it fairly certain that we shall not witness again, in co-operative experience, a depression of the local magnitude of that which, in the early 1920s, halved the sales and share capital of and quadrupled the outstanding debts owed to, some



of our societies in South Wales, Durham and North East Lancashire, compelled drastic financial reconstruction in some cases, and crippled development for a decade. A far more stable level of sales may be anticipated as the direct fruit of the social security programme.

#### LABOUR POLICY ON CONTROLS

The Labour Government, on taking office, found itself faced with an amazing—and ill co-ordinated—mass of controls over varied branches of retailing, established under war conditions, administered with varying degrees of success, absorbing a substantial slice of man- and woman power, and, on the whole, moderately popular with consumers, but little liked by retailers. It is difficult to discern, in the limited experience so far available of Labour Government, any clear policy in relation to the withdrawal, continuance or progressive modification of these controls. So far as the actual control of entry into retailing is concerned, the requirement of licensing, and the restrictions on entry arising therefrom, in the non food retail trades were withdrawn, with unimportant exceptions, from January 1, 1946. This course was apparently adopted as the alternative to setting up permanent machinery to cope with the overwhelming mass of outstanding applications for licences. In the food trades there has been a considerable relaxation of licensing procedure, so as to permit unrestricted entry into the *fish and greengrocery trades*, in which the supply position has improved, and it is reasonable to assume that this points the way for future development.

Apart from licensing, however, an aspect of public policy which is worrying co-operative administrators concerns the provision of shopping facilities on new municipal housing estates, since these estates are likely, at least for the duration of the present Parliament, to represent the major housing, and hence shopping developments for workers' requirements. In the past co-operatives have usually been able to purchase sites and build shops on new privately owned housing estates (or have sometimes leased shops from the developers) and have built up a fruitful trade. There is now talk, in some municipal circles, of giving only one shopping centre for each housing estate and only one shop of each class, and of giving priority, in the selection of tenants for such shops, to small traders, displaced from slum clearance and blitzed areas in the course of

replanning. This would mean the exclusion of co-operatives, who are not likely to look with any favour on such policies, and have insisted that they want, not a co-operative monopoly of shops at any centre, but a sufficient number of shops—the municipalities always provide too few, and these too small<sup>1</sup>—to offer a *reasonable range of choice to consumers*. Labour and its co-operative allies will need to get together, both nationally and in the Labour-controlled local authorities, if this problem is not to become a source of serious friction.

In the field of detailed price control, Labour policy so far seems to have been directed towards the full maintenance of the controls which the Government inherited, with minor additions and deletions. This policy is a good deal criticised, though not openly, in co-operative circles, and particularly where the controls are obviously leading to widespread evasion, so helping the less scrupulous trader at the expense of his more honest colleague. A particularly glaring case is to be found in the nominal price control over home-produced poultry, the practical effect of which has been to drive the trade from its former channels into a variety of black markets, to the considerable prejudice of the co-operatives. Moreover, the average consumer, who was rather tolerant of controls during the war years, is now much less amenable to their continuance, and more ready, as opportunity affords, to indulge in a little black-marketing himself<sup>1</sup>.

Co-operative leaders are obviously reluctant to embarrass the Government, but informed opinion within the movement is hardening in favour of modification and simplification of price controls, in the direction of retaining those of real value, and sweeping away the trifling and irritating remainder. Again, it is doubtful whether the policy, so far pursued by the Chancellor, at a cost now exceeding £1 million a day, of subsidising the retail prices of certain foodstuffs, can be indefinitely supported out of a much strained Budget, and its economic desirability, save in the special case of welfare foods, such as milk, is open to question.

Questions on these matters are beginning to be heard in co-operative circles, and a clear line of policy is much to be desired. Two special points which arise here are worth mention. There has been a curious reluctance, on the part of the Ministries concerned, to make full use of the wealth of knowledge and skill which co-operatives have at their disposal in trade matters, and there has occasionally been crass ineptitude

in seeking consultations with private trading interests, and forgetting the co-operatives until they shout loud and long—the beginning of bread rationing was a particularly bad example of this kind of thing. The Government's whole public relations policy is open to considerable criticism, but failure to consult co-operative interests and experience is so indefensible that it simply ought not to be allowed to happen, for nothing can do more to weaken co-operative confidence in Labour than this.

Another aspect of control policy on which co-operators are beginning to be a little troubled is concerned with the continuance of rationing. Rationing is clearly the appropriate policy for dealing with goods which are in general demand and in short supply, but it is essential to be sure that rationing is relaxed as soon as the supply position changes in any permanent way. For milk, fats and meat (perhaps for bread, though for most of us here the verdict would be "Not Proven"), the supply situation is clearly such as to warrant the retention of rationing for some time ahead.

For solid fuel, Fuel Ministers need to be reminded, on what is apparently the eve of long-term fuel rationing, that co-operators have been pressing for this since 1942, in lieu of the present completely dishonest policy, inherited by Labour from the Coalition and continued to date, of deceiving the consumer by announcing a household allocation for the fuel year, allowing barely three-fourths of this allocation to reach the retailer, and leaving to the fuel merchant the problem of explaining to a shivering housewife that a fuel ration is not a ration but a cold hope! The severe winter of 1946-7 did much to embitter consumer opinion on this issue. Incidentally, a substantial labour force is engaged in the operation of the rationing and kindred schemes, not merely by the Ministries concerned, but also by the retailers, and in these days of labour shortage, their release for productive occupations would be a welcome relief.

#### THE TREND OF COSTS IN RETAIL DISTRIBUTION

At the outbreak of war in 1939 the level of costs in main branches of retailing, based on analysis of co-operative accounts, had been showing a slight upward trend for some time. For the grocery trade, distributive costs, including wages and salaries, maintenance and administration charges, interest and depreciation, but before making any provision for national

taxation, or for such distinctive arrangements in co-operative practice as educational and political activities, death benefit schemes, and the like, were about 2s 7d for every £1 of goods sold in the meat trade about 3s 7d, and in footwear retailing (to take a representative non food trade) about 3s 5d. Under war conditions turnover in most lines increased more rapidly than total costs, and the rate of expense per £1 of sales therefore fell, comparable figures for 1945 being for grocery, 2s 5d, for meat, 2s 11d, and for footwear, 2s 9d. Wages costs were kept down by the withdrawal of labour for the Forces and for munitions and by the restriction of delivery and similar services, and the economies quoted are the converse of the social inconvenience of queuing for the ordinary consumer.

With the end of hostilities the picture began to change, and by the autumn of 1946 co-operators were becoming seriously concerned about the rising trend of expense rates, even though the burden was cushioned by the continuing increase in turnover. Wages, which account for some two-thirds of retailing costs rose both because of the adoption, for the first time in October, 1946, of national retail co-operative wage agreements, at an estimated immediate cost of £3 million a year, and also as the result of the reinstatement of pre-war staffs, and it is probable that the wage costs of British co-operators generally, by the end of 1946, were fully 4d per £1 of sales higher than a year earlier. Other cost items—the resumption of delivery services and the return of advertising, the burden of deferred repairs and machinery renewal requirements, higher rate, lighting and heating charges—were contributing their quotas, against which many societies, taking advantage of the Government's cheap money policy, had been able to effect conversions of their share and loan capital to lower interest rates (from 2½ to 2¼ per cent are now the typical rates).

The substantial increase in wage rates for co-operative workers was itself, of course, supported by the general effects of a full-employment policy, coupled with the absence of any discernible wages policy, but as distributive workers were traditionally well to the rear of the wages queue, it is probable that any Government wage policy would still have permitted the increases which have actually occurred. On this point it is worth while emphasising that, assuming equal turnover per assistant, the co-operative wage agreements involve an additional wages cost of 2d to 3d per £1 sales, as against competitors observing the wage rates agreed by the retail trade.

Joint Industrial Councils set up during the war—and still but incompletely enforced in practice

### THE PROBLEM OF RETAIL MARGINS

At the outbreak of war the level of retail margins—i.e., the gap between wholesale and retail prices—was, in the grocery trade, the equivalent of about 4s 6d per £1 of sales, so far as co-operatives, with their wholesale buying advantages, were concerned. From this margin expense rates mentioned earlier could be covered, and a reasonable dividend on purchases paid, after allowing for various other commitments, including the writing off of wasting assets at a rate higher than was strictly necessary from the accounting angle. Most retail societies had productive departments such as bakeries to add somewhat to the profit pool, and a range of dividend rates mainly concentrated within the limits 1s 6d to 2s 2d per £1 of sales resulted (representing proportionately a much higher return on the capital actually employed in trading activities). There was a tendency, though less marked than ten years earlier, for the highest dividend rates to be found in Scotland and the Industrial North, and unusually low levels were found in London and the Home Counties, where price competition was especially keen, and expense rates rather high.

The introduction of controls over both wholesale and retail prices for a wide range of foodstuffs, together with quantitative controls in the cases of rationed goods, and the gradual extension of similar controls, as the war developed, to cover a progressively widening field of clothing, solid fuel and household furnishings, has transformed the pre-war picture beyond recognition. Generally, the permitted margins between wholesale and retail prices have been narrowed as against 1939 levels, on the assumption that retailers' services would be curtailed and their costs diminished, but there have been important exceptions to this generalisation, notably in the meat trade, where margins still run well above pre-war levels.

Since Labour took office, a revision of the margins between wholesale and retail prices for many commodities has been discussed, and action of a controversial character has been taken in several fields. This is the result of rapidly changing costs of distribution (which are felt by retailers to entitle them to review of margins), coupled with quantitative movements (claimed by Ministries as grounds for cuts in margins, because

they permit turnover increases) It is also due to changing wholesale and manufacturing price levels It cannot be seriously pretended that the relationship so far worked out between the movement and the Government on these matters is a happy one, but the question bristles with difficulties, and all the faults are not to be found on one side A special problem for co-operators here is that, when retail prices rise, their dividend commitments, based on turnover, increase correspondingly Ministries contend, not without reason, that to distribute a given quantity of an article costs no more if it sells at, say 5s, than if it sells at 3s, and are therefore reluctant to agree that retail margins should be widened because wholesale prices go up societies point out that an unchanged retail margin on a rising retail price means a lower rate of profit on turnover, and hence of dividend, and hint that the Government is more tender towards manufacturers' and farmers' profits than towards retailers

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In the last year pressure on this question has been repeatedly occurring Current discussions, at the time of writing cover margins for groceries, clothing, utility furniture, milk and solid fuel, and it is difficult to resist the view that on some of these the retailers have a good case for review

The Government has been very ready, with meat, clothing and fish, to cut down margins on the ground of increasing turnover, obviously with one eye on the general price index in some cases friction has been aggravated by the brusque announcement of a policy of reduced margins, with little or no trade consultation The Ministry of Food, which during the war made much use of trade discussions, has been less willing to do so since Labour took over, and some changes, which might have been made by agreement, have been imposed in such a way as to leave ill will Naturally, private trading interests have not been slow to criticise the Government in this field Co-operative opinion has been less clear, the movement itself being divided One school of thought argues that the movement should accept price and margin cuts, whatever the consequences for its dividend and financial policy, because its competitors will be even worse squeezed Other co-operators—the present writer among them—believe that a clear policy should be worked out, on the basis of margins for controlled commodities being fixed at such a level as to permit the average society to pay a reasonable dividend of, say, 1s per £1 on its whole trade So far the movement has not spoken with a clear

voice, and Ministers have been too pressed with issues of greater immediate urgency to give adequate time to this problem. It is, however, a real problem, involving the whole future of the distributive machinery of the country, and not merely of the co-operative sector. Whilst official control over wholesale and retail prices continues, the question of margins will obviously be a live one, and it is difficult to believe that a Labour Government will ever be content to restore the pre-war trade mechanism, without any kind of continuous investigation into the efficiency of retail distribution. For such a check to be of value, there must be a yardstick of the adequacy of retail profits and margins, and so this issue just has to be settled.

### DIVIDENDS AND FINANCIAL POLICY

Details as to the pre war levels of dividends have already been given, the changes of the war years were to some extent self-balancing, the reduced distributive margins being partly set off by decreased expenses, and partly compensated by the decision of most of the larger societies, acting on advice from the Co-operative Union, to distribute profits to such an extent as to reduce or eliminate liability to Excess Profits Tax. Since the war ended rising turnover has, until the last few months, helped to balance rising costs, but in the autumn of 1946 a steady fall in dividend levels, which for 1945 had averaged about 1s 8d per £1 sales, developed, as the combined result of reduced margins and rising wage and other costs. This trend has continued in the opening months of 1947, and may well be intensified if the sales increase is checked following the February industrial shutdown. An average level not exceeding 1s 4d per £1 seems probable or perhaps a little lower, when the full effects of Profit Tax doubled to a new level of 10 per cent on Co operatives in the Supplementary Autumn Budget of 1947 are felt, this will lead, on the basis of past experience, to a good deal of grumbling from that great mass of members to whom the cash dividend is the sole peak of Co operative achievement, and to some modest trade diversion to our competitors.

Generally, it will be seen that this essay asks more questions than it purports to answer. This is because, frankly, no real relationship in terms of business policy has yet been worked out between co operatives and the Labour Government. There is much mutual goodwill, but goodwill is not a substitute for

policy.<sup>1</sup> As Labour programmes fructify, other issues are certain to arise, on which prior consultation is needed if Labour is to govern with success in the business field, and co-operative storekeeping is to flourish. Many issues are bound to arise: the bounds of co-operative and municipal trading, the effects of national housing policies and the deliberate planning of the location of industrial development on the internal structure of the movement, the probable need for creating regional societies, where tiny units still survive, the simplification of co-operative law, the relationship of co-operative finance to taxation of business profits and of undistributed reserves, the selling mechanism, as yet to seek, of the National Coal Board, and the possibility of co-operatives becoming its direct agents in retailing. A little reflection will serve to lengthen the list. The Co-operative Movement is peculiarly fitted to act, in many fields, as the business advisers and to some extent as the distributive agents of the Labour Government, but we have scarcely begun, as yet, to think how best this can be done.

## THE PROSPECTS FOR AGRICULTURAL CO-OPERATION

By MARGARET DIGBY

AGRICULTURAL CO-OPERATION in Great Britain has always been the junior partner. This is a contrast to the position in most countries, where it developed earlier, faster and farther than the urban movement. The contrast is a reflection of the dominance of industry and town life in British national economy. It is also an outcome of the economic, social and technical revolution, through which British agriculture passed in the late eighteenth and early nineteenth centuries. This replaced the peasant, for whom Co-operation has long been a necessity, by the business farmer, with resources and a scale of operations which enabled him for many decades to meet the challenge of industry and commerce with success.

The British farmer of the nineteenth century was not the slave of the money lender. He had an overdraft at the bank or he mortgaged his farm through a country solicitor and, provided he was a competent man, the terms were not unreasonable. He was not forced to surrender his produce to a grinding



middleman for sale on a distant market at prices of which he knew nothing. He had a good market within driving distance of his farm and could strike his own bargains. Even the influx of overseas grain in the last quarter of the nineteenth century, which had such a shattering effect on Continental agriculture and sent the tariff barriers up over half Europe, only caused the British farmer to reduce his acreage of feed grain and buy cereals and cake from overseas, thereby expanding the livestock, dairy and poultry departments of the farm.

The breach in his self-sufficiency came with the introduction of artificial fertilisers and the growing trade in agricultural seeds. Neither of these are products which can be judged by the eye, however expert, nor even by the nose, as some farmers were inclined to hope. Both offer substantial opportunities for fraud, which is all the more disastrous since it cannot be detected till months afterwards, when the crop is above ground and a whole year's returns may have been sacrificed. The Agricultural and Horticultural Co-operative Association was founded in 1867 by Edward Owen Greening. It sold farmers' requirements on the same lines as those pursued by industrial consumers' societies selling domestic goods. A professional analyst was employed, and the emphasis was on quality and purity. Membership rose to 4,000, mostly in the Home Counties, and the Association had a life of fifty years. Greening, of course, had previous experience in the industrial movement. His example was followed spontaneously by groups of farmers in Cumberland, North Wales and other parts of the country, who set up societies in the seventies, some of which are still in existence.

Horace Plunkett began his campaign for Co-operation in Ireland in 1888. He, too, drew his first inspiration from the industrial consumers' movement of England. But he was dealing with a totally different problem, with an inefficient peasant agriculture, a distant market and a powerful trading class—with the problem, in fact, of Continental, and especially Eastern Europe. For the time being he let stores slip into the background. He pushed the Co-operative creamery. He initiated the credit bank. There was not much in this for Britain to imitate, and energy was probably wasted by supposing that there was. Plunkett's real gift to England was his technique for promoting a Co-operative Movement among farmers. The Irish Agricultural Organisation Society, founded in 1894, was, like the Co-operative Union at one stage of its

existence, an association partly of existing Co-operative Societies and partly of individuals anxious to promote co-operation. At a later stage it received a government grant.

The Agricultural Organisation Society (covering at first the whole of Great Britain, but later making room for a Scottish and a Welsh Agricultural Organisation Society) was founded in 1901 in imitation of Plunkett's creation, and for the next twenty years kept up a vigorous propaganda which resulted in the formation of some 700 Agricultural Co-operative Societies of all types. They were scattered throughout England, Scotland and Wales, they had approximately 124,000 members and an annual trade, including both sales and purchases, of rather over £20 million. The achievement was considerable even if high prices had contributed something to trading results. The A.O.S. had, it is true, made its mistakes. Not all the societies were sound. In particular they were too near together, since they had most of them been founded in the last days of horse haulage before the motor lorry came to revolutionise rural transport. The most serious error of the A.O.S., however, had been the promotion of an Agricultural Wholesale Society in the course of the 1914-18 War. It is true that at an earlier stage the C.W.S. had not been very receptive to the idea of an agricultural department, rapidly expanded to meet the needs of Agricultural Co-operative Societies. But by the time the A.W.S. came into existence, the C.W.S. had moved far in the right direction and the two bodies were immediately in direct competition. The A.W.S., moreover, was buying at the high war and post-war prices, and when the slump came in the early twenties it was caught with heavy stocks on hand. There was a resounding crash, and, for many of the shareholding societies, heavy losses.

The failure reflected unfavourably on the A.O.S., and in the mania for Government economy which came to be known as the Geddes Axe the Government grant was withdrawn. It was not a good time to go out collecting subscriptions from the already hard-pressed agricultural societies, and in 1924 the A.O.S. came to an end. Dr Addison, then Minister of Agriculture in the first Labour Government, formally, and somewhat optimistically, consigned its functions to the National Farmers' Union.

The shock of these events to the societies themselves and to the public estimation of agricultural co-operation was great, and for many years it was difficult to persuade many people

that a movement existed at all in England, though in Scotland and Wales, where Agricultural Organisation Societies still functioned, it was conceded that agricultural co operation appeared still to have some life. Actually the English movement was always by far the largest of the three. It was even larger, in terms of business done, than the movement in Ireland. Its main strength lay, as it always had lain, in the societies selling agricultural requirements, feed, seeds and fertilisers, to their members. Many of these societies had been hard hit by the AWS collapse, but they had held on, and received valuable backing from the CWS, which was generous with credit and with managerial advice, and so enabled them to put their business once more on a sound footing. All through the late twenties and early thirties, in spite of the agricultural slump, these societies were gradually improving their position and extending their activities. Their numbers declined, often merely by amalgamations, but the survivors were well placed throughout the country, and the number of Agricultural Co-operative "deserts" was few. The size of individual societies increased, and with it their efficiency and the range of their services. Many of them were marketing farmers' grain, and sometimes other produce, as well as supplying requirements.

The marketing societies proper were a somewhat smaller group, of which the most important section was concerned with milk and dairy produce. Except in Scotland, however, it was a very long way from controlling the dairy industry of the country. When the Agricultural Marketing Act was passed by the second Labour Government in 1931, the Scottish Co-operative dairies at once converted themselves collectively into the Scottish Milk Marketing Board. In England and Wales they did not control the same high proportion of the liquid milk supply, and they were brushed aside. The Milk Marketing Board dealt directly with the individual farmer, and, in so far as the Co-operative dairies aimed mainly at an improvement in farmers' prices, they found their occupation gone. Some remained to make speciality cheeses (Stilton and Wensleydale) or to retail Grade A T T milk, but their total output was small. It is true that the Milk Marketing Board was democratically set up by the votes of dairy farmers, and its members democratically elected, so that it is, in a sense, co-operative, but it is hardly a part of the voluntary, farm-grown movement.

This left co-operative egg packing as the strongest line in marketing, followed by fruit and vegetables, with meat, live-

stock and bacon coming third. Co-operative wool marketing was important in Scotland, where a quarter of the clip was handled by a single farmer's co-operative, less important, but increasing, in England and Wales. In addition to the requirements and marketing societies, a small group operated "services", such as threshing tackle, road haulage, forestry or stock breeding.

In 1944 the position was as follows:

	No of societies	No of members	Trade		
			Agricultural requirements	Agricultural produce	Total
England	204	87 226	£ 10 477 084	£ 10 430 182	£ 20 907 269
Scotland	77	22 107	1 068 961	804 5 6	1 873 637
Wales	82	33 899	2 816 849	1 193 956	4 010 805
Total	363	143 232	14 362 894	12 428 817	26 791 711

By the following year the total turnover for England alone had risen to £22,603,522. High prices contributed to this total. On the other hand, severe rationing of feeding-stuffs and fertilisers, zoning measures, and the liquidation of most of the specialised poultry farms, put an artificial and very severe limitation on the amount of actual goods that societies could handle. There is little doubt that if goods were available, and since the accession of members is now unfettered, the movement would make a further rapid advance.

The requirements societies are now sufficient in number to cover the country. Between thirty and forty large societies, each covering roughly a county, in fact do most of the business, but some of the smaller societies justify their existence by providing for the needs of isolated districts, as for instance in Devon, Cumberland or the Yorkshire dales. Rather less than two-thirds of the supplies handled are feeding stuffs, about a fifth fertilisers, and about a tenth seeds. The trade in agricultural machinery is small, for manufacturers have so far set their faces against granting agencies to Co-operative Societies. (Incidentally, it may be mentioned that farmers' Co-operatives in the United States have had the same experience.) The trade in coal, oil and lubricants, as well as in building and

fencing materials, is growing. Home-grown grain is bought from members to the value of between £4 and £5 million, and the millable wheat resold, largely to the Consumers' Co-operative Movement. A small quantity of malting barley goes to vinegar maltsters, but most of it goes to the brewers, a trade which the Consumers' Co-operative Movement has always shunned. Feed grains are resold to farmers, generally to members of the same society. Nearly all these societies are well equipped with modern stores, grain-dryers, seed cleaners, grist mills and mixing and cubing plant. They could increase the quantity handled without difficulty.

The egg marketing societies, although less numerous, also cover the country fairly completely. They have played a leading part in war time schemes of controlled egg marketing, and have in several cases taken the lead in organising the smaller private packing stations in schemes for pooling transport and other services. Their present annual turnover is in the region of £3 million, and they are in a position to expand rapidly. Fruit and vegetable marketing is more local, being strongest in the regions of intensive production. It is, however, the horticulturists and market gardeners who are at present more eager to set up new Co-operative Associations. By comparison the handling of livestock, meat and bacon is more or less stationary in the hands of a few large societies, including the Herts & Beds Bacon Factory, jointly owned by a group of farmers and the C W S, and there have been no recent efforts to expand this side of co-operative marketing. This same is true of wool, where a cleavage in method between the Scottish and Northern societies, which sell the coarser wools direct to manufacturers, and the Southern societies, which consign Down wools to the London auctions, has stood in the way of several attempts to secure a concerted co-operative wool marketing policy, perhaps a Wool Marketing Board on a co-operative basis. (Such a development actually took place in hop marketing some fifteen years ago, when the voluntary Co-operative Hop-marketing Association became the Hop Marketing Board, with compulsory power to bring in the few dissentients who would otherwise have broken the co-operative price.)

It has been said that the first Labour Government consigned the promotion and protection of agricultural co-operation in England to the National Farmers' Union. But the N F U was dominated, at any rate twenty years ago, by the section of the farming community least sympathetic to co-operation. It had

no mandate from its members—whatever it may have accepted from the Government—to carry on an active propaganda in favour of co-operation, or even to appoint a staff sufficiently numerous and expert to do the work of a Co-operative Union for agriculture. Apart from obtaining a small grant from the Government, intended to alleviate some of the worst losses from the A W S collapse, it did little for the movement, and societies were left to their own devices. This treatment, though drastic, was not in the end a bad thing. The English societies, however, were conscious that some more active central organisation was needed, and well aware of the value of the work done by the Welsh and Scottish Agricultural Organisation Societies. Periodical conferences discussed the matter without much progress. Few agricultural societies were prepared to accept the Co-operative Union, even with a greatly strengthened agricultural department, as their national centre. The Union was political in a way that the C W S was not, and the Agricultural Co-operative Movement has both a strong tradition of political neutrality and a membership which, in its private capacity, is probably in the main conservative. The formation of a new, independent Agricultural Co-operative Union was opposed by the N F U, and for some years societies were unwilling to face the probable cost of an effective organisation.

The first step was taken, not by the societies acting through their committees, but by the Managers, who in 1937 set up the Agricultural Co-operative Managers' Association, which, while its nominal purpose was to protect the professional interests of the Managers, did in fact provide an opportunity for much valuable exchange of Co-operative experience, for formalised contacts with the consumers' movement and other bodies, and for the discussion of agricultural co-operative policy. During the recent war the question of a national organisation which would represent not merely the Managers but the Societies, was once more brought forward. This involved a good deal of negotiation with the National Farmers' Union, but finally led, in 1945, to the setting up of the Agricultural Co-operative Association, working in fairly close association with the N F U, but financed and managed by the agricultural societies. From some points of view a wholly independent body would have been more satisfactory, but at the time only a compromise was possible, and experience is showing both that the Co-operative Movement is capable of taking its own line on matters in which

it is vitally concerned, and that at any rate an influential section of the N F U has been impressed with the value and importance of co-operation overseas, especially in the U S A and the Dominions, and has dropped the negative attitude which once made it so ill suited to even a nominal leadership of the movement

What, then, of the future? There seems no doubt that the requirements societies have come to stay, and that the marketing societies, left to themselves, will grow and develop. The requirements societies have their link with the C W S, of which most of them are members and this link is strengthened by every new agricultural development, such as the recent acquisition of a fertiliser plant in Norfolk, which the C W S is prepared to make. The most important field from which the societies to day are virtually excluded is machinery. Here two policies are possible—the attempt by negotiation, and possibly by Government pressure, to break down the opposition of the manufacturers (which is probably in the main the opposition of rival dealers) to co-operative agencies, or the bolder policy of joining with the C W S to manufacture directly for the co-operative market. The choice turns to some extent on the assumed future of agricultural mechanisation in this country. How far will a high proportion of tillage be maintained in Britain after the present food crisis has passed? How far will such tillage be mechanised, and will this be carried out by mechanical equipment which each farmer will own individually even if he has bought it from a Co-operative Society, or will the actual cultivation be the work of a co-operative machinery unit of which the farmer is a member? The experience of War Agricultural Executive Committees, of the more limited 'Parish Pools' of machinery which sprang up in some parts of the country, and the example of post war mechanisation in many European countries, point in the latter direction. If, in fact, this is the line of progress, the co-operative future may be in the sale of mechanised services rather than of machines. An inquiry into the whole subject is at present being<sup>1</sup> carried out by the Horace Plunkett Foundation, with the support of the Development Commission.

Agricultural marketing seems ready for lively progress, especially in home grown grain, eggs, fruit and vegetables. The Government has, however, set up a Committee of Inquiry into agricultural marketing, and it is possible that there may be pressure to seek more rapid solutions than those offered by

the growth of voluntary co-operation. The Milk Marketing Board is a highly efficient organisation, and its methods might be applied to other commodities. The voluntary Co-operatives in the dairy business in England were virtually superseded by the Board.<sup>1</sup> In grain, eggs and fruit, and probably in wool, the Agricultural Co-operatives are confident of their own ability to become the major operating agents in any marketing scheme that may be set up for these commodities. The claim would seem justified, for though they handle only a part of the national output, they are undoubtedly the most important single element in the trade, their methods are efficient and eliminate much intermediate handling and profit making between producer and consumer and they represent the producer, to whom all the benefits of their efficiency ultimately return. Evidence to this effect was being prepared for the Committee of Inquiry, and submitted by the Agricultural Co-operative Association and by the National Farmers' Union. It is much to be hoped that Labour ministers, when considering the findings of the Committee, will give full weight to this evidence of voluntary co-operative achievement, and will see that co-operation is incorporated in whatever marketing schemes are ultimately submitted to Parliament. The value to any new and untried national board, of local democratic machinery of this kind, which has popular support and has stood the test of time, can hardly be over-estimated.

The Agricultural Act which became law early in 1947 is likely also to bear on the future of agricultural co-operation. The power to fix the price of agricultural commodities which it confers upon the Minister will make the task of the agricultural marketing society, as well as the farmer himself, a good deal easier than it would have been in a period of unstable prices. Prices fixed in advance will enable both the farmer and his requirement society to plan production for some time ahead. The proposed transformation of War Agricultural

<sup>1</sup> The Lucas Committee reported in November 1947 in favour of marketing fat stock, milk, eggs, grain, potatoes and sugar beet through a series of Commodity Commissions which would be independent bodies representing the tax payer (not as in the case of the old Marketing Boards, the producer), and financed from public funds. They would acquire control over the commodity at the point to which the producers' guaranteed price relates. It is not clear at present precisely what status would be accorded to existing farmers' co-operative marketing societies under this scheme, if it were adopted. Their continuance does not seem to be in question, but their initiative might be considerably restricted.



Executive Committees into County Agricultural Executive Committees with, so far as can be seen, somewhat similar functions, suggests, together with the provisions dealing with good husbandry, that agriculture will continue to be planned at a high level of production for some time to come, and that there will be scope for collective services such as the W A E C's have offered

More directly bearing upon co-operation are the provisions relating to smallholdings. After enjoining on the County Councils the duty of making provision for new smallholdings, the Act proceeds as follows

"A smallholdings authority shall have power, for the benefit of the occupiers of smallholdings provided by the authority, to further the formation of bodies of persons, whether corporate or unincorporated, having for their object or one of their objects the promotion through co-operative methods of efficiency in the conduct of smallholdings, and to assist the carrying on and extension of the activities of such bodies

"A smallholding authority shall have power—

(a) to such extent as appears to the authority expedient for the purpose of assisting the conduct of smallholdings provided by the authority or of promoting co-operative schemes for the conduct thereof, to acquire by purchase or hiring, and to sell or let on such terms as may be decided by the authority, machinery and other equipment, live or dead stock, seeds, fertilisers and any other requisites, and to provide on such terms as aforesaid services, and

(b) to carry out arrangements made by the authority, for the purposes of such schemes as aforesaid, for the disposal by the authority of the produce of smallholdings provided by them "

The Act, however, goes further, and provides for actual co-operative farming

"A smallholding authority may, with the approval of the Minister, let a smallholding, or two or more smallholdings together, to persons proposing to farm the smallholding or smallholdings on a co-operative system, notwithstanding that all of the said persons have not had such experience as aforesaid, but before approving any letting under this subsection the Minister shall satisfy himself that the aggregate

agricultural experience of the said persons is such as to render it likely that in co-operation they are or will become qualified to farm on their own account "

The Act, moreover, proposes to encourage co-operative finance

"The Minister may make grants or loans to any body of persons, whether corporate or unincorporated, having for its object or one of its objects the promotion through co-operative methods of efficiency in the conduct of smallholdings

The Act looks forward to the Minister of Agriculture becoming a landlord on a considerable scale through his powers to secure "the full and efficient use of agricultural land", and by other means, including transfer from other Government departments. One acquisition which is likely to take place at an early stage is that of the considerable estates now held by the Land Settlement Association. This body was formed during the depression in the early thirties, with the object of settling on the land ex-miners and others who had been unemployed for more than ten years. The Association was supported by private donations, including gifts of land, and by substantial Government grants and loans from the Commissioners for Special Areas and other public authorities. The human material was exceptionally unpromising for a project of this type, as most of the men, apart from the ill effects of long unemployment, had no previous agricultural experience or background. The number leaving after a short trial was inevitably high, but a substantial number did make good as poultry and pig-keepers or horticulturists. Settlers rented holdings from the Association and were pledged to accept the Association's instructions on cropping and cultivation, and to make use of its supply, nursery and marketing arrangements. At the outbreak of war, eligibility for holdings was extended to agricultural workers and farmers' sons, not unemployed, and many of these are now among the Association's tenants. The system, as it has grown up, is too authoritarian to be called co-operative, and the tenants themselves are now eager for a larger measure of control in the enterprise. It will be interesting to see how far the transfer of ownership of the estates from the Association to the Minister of Agriculture will advance their claim to self-government.

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A final provision among the supplementary clauses of the

Act makes an interesting proposal, the full implications of which are not disclosed

“For the purpose of promoting efficiency in agriculture or facilitating food production, the Minister may, with the approval of the Treasury, make schemes for providing goods, other than livestock, and services to persons managing or farming agricultural land ”

It is to be hoped that these powers will not lead the Minister to duplicate services which are already being carried out by agricultural co-operative societies, or could be so carried out if the need were made plain

It has been pointed out by a Continental writer<sup>1</sup> that whereas after the First World War the emphasis in all Farmers' Co-operative Movements was on the marketing and processing of produce after it had left the farm, on cutting out the middle-man and stabilising prices in the farmers' interests, the emphasis after the Second World War is on improvement of the economy and, above all, the technique of the farm itself. Hence the Co-operative Societies for mechanised cultivation, the Artificial Insemination Co-operatives (one or two of these, dealing with cattle, have been formed, during the War, in Great Britain), the societies for the production of improved herbage seeds, the co-operative consolidation of fragmented holdings. This attitude has been stimulated by the need to produce the utmost food in all countries which have suffered in the War. It is also evidence that the technical and scientific revolution in agriculture, which has been proceeding quietly for several decades since its initiation in the large farm with capital for experiments and expensive installations, is now reaching the small farms where it can only be carried out by co-operative action.

There are signs of a similar trend in Britain, side by side with an extension of the older interest in commodity marketing. The movement is still small compared with the consumers' movement, but it should not be forgotten that there are 48,000 000 consumers in the country, at least half of them eligible for membership in a co-operative, and at most 250,000 farmers. Moreover, the Agricultural Co-operative Movement, with its £28,000,000 of business in 1945, is, apart from a few scattered societies, no older than the century, and the trade of the Consumers' Co-operative Movement in 1889, forty-five years after

<sup>1</sup> Carlo Hemmer (Luxembourg) *Year Book of Agricultural Co-operation*, 1947  
6\*

Rochdale, was just under £26,000,000. The only cause for anxiety as to the future of the Agricultural Co-operative Movement springs from one consideration. Voluntary, democratic organisations move by consent and they move slowly. Legislators in a hurry can set up a new organisation and inaugurate a new system with an Order in Council and revoke it with another. It would be a waste of effort, experience, goodwill and carefully fostered popular trust and responsibility, if work which agricultural co-operatives are willing and able to do should be entrusted to untried bodies launched in a vacuum.

In the late summer of 1947 the breakdown in the time-table of recovery in Europe, including Great Britain, and the hardening of American opinion against a policy of foreign lending, led to an abrupt reconsideration of British economic policy. Prominent among the measures to be adopted was a rapid expansion of British agriculture, aiming at the highest attainable degree of self-sufficiency in food. But where war-time self-sufficiency had been directed to reducing the bulk of shipments from overseas in order to economise shipping, the new self-sufficiency will aim at reducing their value in order to economise hard currency. This means that British agriculture will be able to assume a pattern more suited to its natural advantages of soil and climate. High tillage will continue, but the end-product will not be bread so much as animal food for conversion into milk, meat and eggs. The new effort in agriculture will be made not against, but with the natural grain of the country. It should not ultimately require to be so heavily subsidised.

It will, however, call for the highest skill, ingenuity and foresight, and the most efficient use of scientific knowledge and technical contrivance. In all this the Agricultural Co-operative Movement has a unique opportunity to give service as valuable as that which the Co-operative Movements of Denmark, Holland or the overseas Dominions performed for their countries during similar periods of transition and expansion. A Government sympathetic to co-operation, a Co-operative Movement aware of its own powers, a National Farmers' Union at last awake to the value of the movement, and farmers who, as individuals, are beginning to turn naturally to the co-operative method, all promise that the opportunity will not be missed.

But the new policy will not be a success if British agriculture is not planned in relation to the agriculture of the Dominions and Colonies, and of those European countries which are still

able and ready to supply food to the British industrial market. Such an adjustment, which should assure a reasonable living to farmers in all the countries concerned and avoid wasteful competition and duplication, will call for delicate negotiation in which the farmers' organisations will be consulted at every stage by their Governments. In most countries these organisations, nearly all of them very complete and powerful, are already co-operative. A similar national concentration of agricultural co-operation in Britain, in touch on the one hand with the British Government and on the other with overseas farmers co-operatives through bodies like the International Federation of Agricultural Producers and the International Co-operative Alliance, is one of the first conditions of a harmoniously planned agriculture extending beyond the boundaries of a single state. Such international planning would be in line with the policy of agricultural prosperity and sound nutrition tirelessly advocated by the Food and Agriculture Organisation.

## INDUSTRIAL CO-OPERATIVES

By A. HEVSTOCK

### HISTORICAL

THE FOUNDATION of co-operation was laid when the first group of men—or, for that matter, animals—realised the necessity of hunting and working together. From that point onwards men have worked together, to live and to fight. Strangely enough, they have worked better together when they have joined to fight another group. Unfortunately, the economic and social value of co-operation has not as yet integrated itself into the thoughts and actions of people.

The Industrial Co-operatives can trace their history back to this starting point, but the practical economic and social implications and the practical application of the "idea" did not take shape in an organised form until the middle of the Industrial Revolution.

In this period of Socialist gestation the principles so well known to-day were being thrashed out, and Robert Owen's name is inevitably bound up with any historical sketch of Co-operative beginnings.

Owen's communities at New Lanark, Orbiston and Ralahune were the forerunners in this country of the Industrial Productives, followed by the corn mills and other Co-operative productive activities. Their failure we now appreciate as inevitable, but the idea remained, and took added strength from the books and pamphlets being written by continental Socialists.

The motivating idea was that of the right of the worker to the produce of his labour, akin to the idea of John Ball that "things will not go well in England, nor ever will, until the goods are held in common." William Thompson set down the principle as follows:

- 1 All labour ought to be free and voluntary, as to its direction and continuance
- 2 All the products of labour ought to be secured to the producers of them, and
- 3 All exchanges of these products ought to be free and voluntary

Almost all the early Socialist thinkers developed this theme, and in France, Godin created the Familistere at Guise. It was from the French examples that John Malcolm Ludlow brought back the methods that set the Christian Socialists under Frederick Maurice along the path of the self governing workshops from which developed the forms of Industrial Co-operatives that we know to-day.

From the efforts of the Christian Socialists the banner was carried on by Edward Owen Greening, George Jacob Holyoake and Thomas Blandford, and it was Greening who set down, as it were, the charter of the Industrial Co-operatives when he wrote that Industrial Co-operatives should be formed in order

(a) That the workers might regain possession of the implements of production which the Industrial Revolution had lost to them

(b) That the root conception of democracy—namely, government by consent of the governed—should be established in industry

(c) That the greatest common measure of liberty and freedom in industry might be secured by this industrial self-determination

(d) That the status of worker might be raised from wage earner to conscious co-partner

c (Co-op Movement)



(e) That pride of craft, largely destroyed by machine production, might be to some extent restored by developing a *esprit de corps* in the workshop which would create a pride in the corporate product and in the reputation of the organisation as a whole

(f) That the workers might participate in the surplus arising from their associated endeavour

(g) That a consciousness of personal responsibility might be developed by the workers being called upon to assist in financing and directing the undertaking

This charter embodies the principles and purpose of the modern Industrial Co-operatives, and it will be observed that considerable emphasis is placed upon the sociological implications of this form of industrial organisation (a), (b), (c), (d), (e), (g)

In addition to the Industrial Co-operatives, the Guild Socialists held the same ideas, but saw their application in a slightly different form. G. D. H. Cole, their most prominent advocate and historian, stated in a critical article on "Workers' Control in Industry"<sup>1</sup>

"I believe in workers' control as firmly as ever, but now I see the way to it as harder than it appeared a dozen years ago and, above all, as involving in the first place the complete political victory, not merely of Labour, but of downright determined Socialism."

In his Blandford Memorial Lecture,<sup>2</sup> Cole reaffirmed this faith and stated

I am speaking to you as an ancient, unrepentant Guild Socialist, who after being repressed for a good many years almost into silence on this vital human issue—now find, 30 years later, the very situation that I used to prophesy actually arising, the old coercive incentives of capitalism irretrievably breaking down, and no new incentives based on the spirit of Socialist and Co-operative democracy ready to take their place."

The value of the Industrial Co-operatives is therefore considerable, and it might be asked why they have not developed to the extent one could expect

<sup>1</sup> *Co-operator's Year Book* 1933 p. 13

<sup>2</sup> G. D. H. Cole *Co-operation, Labour and Socialism* 1947 (C.C.P.C.), Leicester

There is no one reason, but of the number of minor reasons, three stand out. First, in contradistinction to the considerable support given to the French Industrial Productives by the French Trade Unions, there has been, and exists to a certain extent to-day, an antipathy, to say the least, on the part of the British Trade Union Movement, in spite of the fact that many of the existing societies were started by Trade Unions.

This I feel has been, and is, the result of a too superficial examination of the principles and rules of the Industrial Co-operatives—i.e., by combining them in the Trade Union mind, with the co-partnership schemes operated in capitalist firms.

There is only one degree of superficial comparison, in that both share profits amongst the workers. There it ends, for the Industrial Co-operatives share their surplus according to wages, once profits have been declared and interest and other charges met, whereas the co-partnership schemes share the profit on one or more of the numerous bonus earning methods so beloved of the scientific management school.

The workers in an Industrial Co-operative are in the first place shareholders, exactly in the same way as any person can become a shareholder in a Consumers' Co-operative Society. They become members upon taking up employment. Their shares are not purchasable on the Stock Exchange, and they can only own a maximum of £200 share capital.

As shareholders, they have one vote, whatever the size of their holdings, and with that vote they can, with the other workers, elect just whom they please to the Management Committee of their society. The co-partnership schemes in the Gas, Light and Coke Co., Vauxhall Motors, Bryant and May, Ltd., do not provide for this democratic function of the worker.

Further, as a condition of employment, the worker must be a member of a trade union, and in almost every case the workers receive slightly above the minimum trade union rate.

Whilst on this point, it is interesting to recall that a large number of the present Industrial Co-operatives in England were formed by trade unionists who were on strike against the conditions operating in their place of employment.

Official encouragement by the Trade Union Movement has been lacking, and this is one important reason why the development of Industrial Co-operatives has been held back.

The other major reasons are purely Co-operative. One is that for a considerable number of years the Co-operative Wholesale Society, rather strangely, has not welcomed their

presence in the Co-operative Movement, in 1944, for instance, it offered to "buy them out" over a period of ten years. The other is that in the majority of cases the Industrial Co-operatives have restricted their supplies to the Co-operative Consumer Societies, and their expansion has been to a certain extent conditioned by the limited number of selling points in the Dry Good Departments of the Consumer Societies.

These are among the reasons for what may be termed their small development over the past hundred years.

### SOCIETIES TO DAY

At the present time there are forty-six societies in membership with the Co-operative Productive Federation, Ltd. This body is the promotional and advisory body of the Workers' Productive Societies, and was founded in 1882 to obtain capital for developing societies, to open up markets for their goods and to promote unity of action among the societies.

The C P F provides auditing, research, legal and advertising and publicity services for the societies, in addition to technical advice.

A Joint Invoicing Department is maintained, which makes it more convenient for retail societies to trade with any number of Productive Societies without opening numerous accounts.

The C P F also publishes monthly the well-known *Co-operative Productive Review*, and annually *The Co-operator's Year Book*.

In the same way that all the Productive Societies are members of the Co-operative Union, so too is the Federation, and it represents the Productive Societies on the National Co-operative Authority, Joint Parliamentary Committee of the Co-operative Congress, the International Co-operative Alliance and the National Committee of the Co-operative Party.

In co-operation with an increasing number of Consumer Co-operative Societies, the Productive Societies formed in 1926 the Co-operative Co-partnership Propaganda Committee, with the declared purpose of making known the principles of Co-operative co-partnership, in order to bring about the organisation of industry based upon those principles.

The forty-six societies are divided for statistical purposes into the following groups: (a) Clothing—nine societies manufacturing heavy and light clothing, shirts, hats, ties, etc., (b) Footwear—nine Gents and six Ladies, manufacturing almost the complete range of footwear, (c) Printing—twelve societies—Leicester,

Blackpool, Bristol, Swansea, Cardiff, Watford, Birmingham, Hull, Derby, Nottingham, Gloucester, Plymouth, (d) Miscellaneous—ten societies engaged in the building trade, carriage-building, locks and cart gear, housing estate, toys, publicity and documentary film production

The total sales of these societies for 1945 amounted to £3,094,704, employing 5,055 worker-members

The Clothing and Footwear Societies supply their productions solely to the Co-operative Consumer Societies, the remaining societies having a general trade

### PRODUCERS AND CONSUMERS

Around the Workers Productive Societies for many years has ebbed and flowed the argument of producer and consumer interests, and within the Co-operative Movement quantities of ink and paper have been used in arguing the pros and cons of the case

Ben Jones, the historian of Co-operative Production, wrote

"If Co-operation is to be rich in benefits to working people, as its advocates have always expected it to be, it must be successfully and universally applied to the production and manufacture of all the commodities that are used, or consumed by the human race. The discovery of the best method of organising their productive efforts is the most difficult problem with which Co-operators have had to grapple, and unfortunately the discussions of the subject of Congresses and Conferences have been more fruitful in producing stormy scenes between supporters of different methods, than they have been successful in inducing a general recognition of practical pathways

Strange as it may seem, the differences arose over the question of profit sharing, the arguments for and against democratic participation in management, and the mutual interests of the co-operatively organised producer to the interests of the co-operatively organised consumer were added with the passing of time

The differences over profit-sharing have now subsided, and with the increase of employees on management committees of Consumer Societies the differences over workers' participation are not so strong as they once were, the point of difference now being, competition and the differing interests of producers and consumers

In regard to the last point, we see here the transposition of capitalist thinking into Co-operative economy, the argument being that because the interests of capitalist-owner-producers have been proved to be detrimental to the consumer, the interests of co-operatively organised producers must likewise be the same. It is illogical and loose thinking to contend that the co-operatively organised worker producers in the Workers' Productive Societies are also active members of the Consumer Co-operatives, and the surplus of the Productive Societies is shared between the worker and the Consumer Society purchases in the same way as, in a retail society, the members draw a dividend and the workers draw a bonus.

Within a capitalist economy the differences between capitalist-owner producers and consumers and organised workers is apparent and too obvious, but in a Co-operative economy the interests of the consumers and producers are precisely the same, for they are not two separate individuals, but the same people—Co-operators.

What is the argument? On the point of competition, this argument, too, cannot be substantiated in fact. In the first place, the total output of all Co-operative Productive resources, CWS and Workers' Productive Societies in clothing, footwear and printing is less than 20 per cent of the total sales and purchases of these commodities by the Co-operative Consumer Societies. Secondly, the price differences at the manufacturing end are almost identical, whatever price differences there may be occur at the consumer sales end, and this is the responsibility of the Consumer Societies, and not of the productive units. The competition in style, finish and design is surely beneficial to the consumer, and not a basis for violent disagreement.

That there should be some national planning within the Co-operative Movement along the lines of specialisation, bulk buying and central selling I agree, and I feel that sooner or later this will have to take place, but the problem must not be approached on the basis of absorption and elimination of the Workers' Productive Societies, for I am convinced that their principle of workers' participation in the management of industry is one of inestimable value, which is now becoming accepted as a general principle for all industry.

Producer and consumer interests within a Co-operative economy are the same, and it is the responsibility, and even the declared policy of the Co-operative Movement, to resolve the differences that exist in the economic system as a whole, as

declared in a report accepted by the Co operative Congress of 1946

The function of the Co operative Movement is to serve the community by uniting people with common interests as consumers and producers on a democratic and equalitarian basis and in doing so it is working for the transformation of a profit seeking society to a community directing and controlling its own economic and social services so as to ensure the greatest happiness and well being of all its members

In pursuit of this objective the Co operative Movement seeks to maintain and extend its power in economic and cultural life and to collaborate in the extension of all forms of democratic collectivist enterprises until such time as society is prepared to apply universally the principles of Co-operation<sup>1</sup>

This statement clearly disposes of the arguments of the past and clears the way for discussions to proceed upon the basis of Co-operation in order to provide better service to the consumers and the community as a whole

#### INTERNATIONAL

Throughout the world Workers Productive Artisan and Agricultural Societies play a larger role in the economy of their respective countries than do the Consumer Societies

The latest statistics are not as yet available for each country but as one example of many the French Workers Productive Societies play a considerable part in the economy of France There societies number 700 and since the liberation 200 new societies have been started

Of the 700 societies affiliated to S C O P (Sociétés Co opérative Ouvrières de Production) 350 are Building Societies undertaking a considerable amount of Government work, in addition there are Instrument and Precision Workers Societies Bakers, Electrical Workers Diamond cutters Wood workers, Quarries Steel and Railway Workers Film Producers Glass-bottle Makers Clothing and Footwear

The Societies have their own bank and benefit from the Government's Co-operative Credit Department and other statutes in the Code of Labour receiving both Government and trade union support for the foundation and expansion of Workers' Productive Societies

Since the war Workers' Co-operative Productive Societies have been re-established in Poland, Czechoslovakia, Yugoslavia, Italy and many other countries and in the U S S R there are a considerable number of Craftsmen's Co operatives

The International Co operative Alliance is at the moment preparing the rules and regulations for an auxiliary committee under the auspices of the I C A for the formation of an International Committee of Workers' Productives and Artisan Co-operative Societies, the purpose of which will be to interchange information, and, as far as possible, co-ordinate the activities of these forms of co operation in order that these societies can play a greater part in the economy of these countries and the world as a whole

### THE WORKER AND DEMOCRACY

The special contribution of the Workers' Productive Societies to Co operative life in particular, and social conditions in general, lies, as Dr Hasselman has rightly said not so much in the material and economic, but in the spiritual and social sphere The Workers' Productive Society is a direct attempt to restore the inner connection between the worker and his work by giving him control over the process and result of his work

In short, the method of organisation which operates in the Workers' Productive Societies is a daily education and training in democracy, integrating the democratic method into the workers' everyday thoughts and actions, encouraging the acceptance of personal responsibility, thus ensuring that democracy shall be of the many, and not of the few, and, as such, recognises the social context in which personality is formed

G D H Cole has written

I do not believe that any state or society can be effectively democratic in great affairs, in national or international affairs, or in the government of its great cities and country areas—unless it is so organised as to be democratic in small things, and to give the small groups, of which the great society is made up, real opportunities for democratic action "

The Workers' Productive Societies have in a small, but none the less highly significant way experimented and proved the truth of this opinion

The discipline within the Societies is high, and their experience has contradicted the Webbs' criticism in this respect. At no time in the history of the existing Societies has there been a strike, and the general atmosphere under which the work is carried out contrasts sharply with that existing in factories not so organised.

As in another connection the Consumer Co-operative Societies have carried the democratic method into the distributive fields, so have the Workers' Productive Societies led the way in the practice of democracy in the factories, and in so doing have given to the workers practical every day experience in the management of productive concerns.

The implications of this, had the method been more widely adopted in the past, would have enabled the present Government to have called in trained and experienced managers of democratically owned and controlled factories.

It must not be assumed, however, that it is all plain sailing, for the acceptance of democratic responsibility is not a part of the training of the average man and woman, and as it would be foolish to expect John Smith to step out of his office and fight Joe Louis without any previous training, so, too, it is foolish to expect a worker, immediately he steps out of a capitalist factory into a democratically owned and controlled factory, to understand and accept the responsibilities involved without any previous training and experience.

I admit that the democratic training received in the trade unions and Consumer Co-operatives, Labour Party groups, etc., is valuable, but the responsibility of management of a business concern is, to say the least, more practical.

The sociological implications of Workers' Productive Societies are important, particularly so for the future, for if we are desirous of extending democratic government, and, what is more important, perpetuating it and making it more efficient than it has so far proved, we must of necessity employ the democratic methods in such ways that they become integral parts of everyday thought and action.



## LABOUR RELATIONS IN THE CO-OPERATIVE MOVEMENT

By K. BENNETT, B.Sc. (Econ.)

THE BRITISH Co-operative Movement employs some 330,000 workers, of whom 60,000 are employed by the wholesale societies, and most of the remainder by the retail distributive societies. Although the number employed may at first sight seem impressive, it is only 2 per cent of the insured population, and is less than 3 per cent of the membership of Co-operative Societies. Nevertheless, the movement, like all large-scale employers, including the State and the municipalities as well as joint stock companies, has been compelled by the force of circumstances to face up to the difficulties involved in the task of regulating, on a collective basis, the wages and conditions of labour of its employees.

The purpose of this essay is to review the history of the wage-regulating organisations set up by the movement, to analyse their methods of operation, and to consider some of the problems which are confronting the movement as an employer during the immediate post war years.

### I

At the outset it should be noted that a large proportion of societies (including the wholesale societies and nearly all the hundred largest retail societies who employ between them two-thirds of Co-operative distributive workers) make it a condition of employment that their employees become members of a trade union. The movement's shop assistants are members of the Union of Shop, Distributive and Allied Workers (established in 1947, following the amalgamation of the National Union of Distributive and Allied Workers and the National Amalgamated Union of Shop Assistants). The Transport and General Workers' Union enrol a proportion of the movement's transport workers and a variety of craft unions cater for the movement's craft workers. Even the movement's executive officers, its secretaries and managers are trade unionists, being members of the National Union of Co-operative Officials. This almost complete 100 per cent trade union membership among Co-operative employees has to be contrasted with the almost non-existent trade union membership in the remainder of the distributive trades.

Had the movement not insisted on compulsory trade union membership, it would undoubtedly have obviated some of the labour troubles which it has encountered. For example, it would probably have found the distributive trade unions taking up a less aggressive attitude (the aggressiveness of the distributive trade unions towards the Co-operative Movement dates from the period of compulsory trade union membership), and it would almost certainly not have needed to spend so much time and money on wage negotiations as it has in fact spent. On the other hand, a policy of voluntary trade union membership might have led to other troubles—e.g., to strikes, both official and unofficial, to enforce trade union membership. The pros and cons of compulsory trade union membership in the Co-operative Movement is, however, to-day an academic subject, as the active Co-operative membership (less than 5 per cent of the total membership) would not tolerate non unionism in the larger Co-operative Societies.

Organisation of the employees has brought into being Co-operative employers' organisations. These organisations, which were established after the 1914-18 war, are known as District Wages Boards. Societies within the various District Association areas of the Co-operative Union formed Wages Boards, to whom they deputed the task of negotiating collective agreements with their employees' trade unions. Although the motives which influence societies to join Wages Boards are varied, there can be little doubt that the dominant motive is to prevent, if possible, the trade unions from "playing-off" one society against the other. As this motive is undoubtedly the *raison d'être* of Wages Boards, the method by which one society is "played-off" against another can be cited. Society A is paying its milk roundsmen  $x/6$  for a six-day working week, Society B is paying  $x$  plus  $y/6$  for a seven-day working week. In the absence of a Wages Board, the trade union approaches Society A with a demand that it pays its roundsmen  $x$  plus  $y/6$ , supporting its demand by pointing out that this wage is paid by Society B. Having secured the concession, the Union approaches Society B with a demand that it operates the six-day week and supports the application by pointing out that Society A is operating a six-day week and is, at the same time, paying the same wage as Society B. (As a matter of interest it might be noted that the Co-operative Movement was one of the first employers in the milk distributive trade to introduce the six-day working week.) In trying to obviate this "playing-off"

tendency, Wages Boards make no secret of the fact that they are employers' organisations, whose task it is to look after the interests of societies as employers of wage labour.

In spite of setbacks, the membership of Wages Boards steadily increased during the inter-war years. The biggest obstacles founders of Wages Boards had to contend with were (1) the parochial feeling of societies, especially among small rural societies, whose Committees of Management were determined to be "masters in their own house"—an attitude they were able to maintain for many years, as their few employees were largely unorganised, (2) the influence of employers elected to membership of Management Committees using their voting strength to prevent their societies from affiliating to Wages Boards. In spite of these difficulties, some 90 per cent of societies had joined Wages Boards at the outbreak of war—a result which can be regarded as creditable in a movement which is built up of autonomous units.

With the growth of Wages Boards a parallel movement took place in the establishment of Sectional Wages Boards—i.e., federations of District Wages Boards, whose functions were to take over the negotiating work of District Wages Boards by negotiating on a sectional basis collective agreements, thus preventing one district being "played-off" against another. By 1939 Sectional Wages Boards had been established in all the eight sections of the Co-operative Union, and in the northern half of the country sectional agreements had replaced district agreements. The number of agreements operative was, however, in the region of 250, although with the growth of Wages Board membership they were being steadily reduced.

A further feature of Co-operative wage negotiations is the National Conciliation Board for the Co-operative Service, which was established in 1926, and whose inauguration can be traced to the General Strike of that year. The Board consists of six Co-operative and six trade union representatives, together with an independent chairman. Under the rules of the Board there has to be prior negotiation before a dispute can be heard by the Board, and provision is made for the Board to give unanimous decisions on disputes referred to it. Failing unanimity, provision is made for the independent chairman to give an award with the consent of the parties to the dispute. The Board is, in practice, not merely a Conciliation Board, but is primarily an Arbitration Board, and its success can to a large measure be attributed to the independent chairmen, of whom

might be mentioned the late Professor Daniels, Professor Shuman Sir Charles Doughty, K.C., and Sir John Forster, K.C. It will be noted, however, that under the rules the independent chairman could give an award only with the consent of the disputing parties. As will be mentioned later, compulsory arbitration in the Co-operative Movement had to await the coming of the Second World War. Similar Conciliation Boards operate for the wholesale societies.

Finally, mention must be made of the Labour Department of the Co-operative Union. The duties of its officials, who work under the supervision of a Labour Adviser, are primarily to advise societies on labour matters, to assist Wages Boards in their negotiations with trade unions, and to prepare and present cases to the Conciliation Board. Its officials represent the movement on Joint Industrial Councils and Statutory Wages Councils established under the Wages Councils Act. The department has also been responsible for the initiation and supervision of societies' superannuation schemes which are designed to provide pensions for some 90 per cent of co-operative employees on retirement.

There is not the same necessity for such elaborate negotiating machinery in the wholesale societies. Both the C.W.S. and the S.C.W.S. have relegated to a sub-committee of the Board of Directors the task of negotiating wage rates for their numerous grades of employees with trade union officials, and both have found it necessary to employ professional labour advisers. Because many of the grades of workers employed by the wholesale societies are in well-organised trades, with nationally observed rates of wages and conditions of labour, the wholesale societies are able, without much difficulty, to follow the generally accepted standards. Both wholesale societies operate Conciliation Boards with similar rules to those operating in the retail movement.

The foregoing paragraphs outline the movement's wage negotiating machinery as it operated at the outbreak of war. But for the war, it would probably have undergone little change in the intervening years.

The outbreak of war caused the retail movement to take a big step forward in wages matters. Within a few weeks of the declaration of war the Labour Department, with the authority of the Executive Committee of the Co-operative Union, had approached Sectional Wages Boards and persuaded them to agree to the establishment of, and to participate in, the work

of a National Wages Board for the duration of the war, it being understood that the primary function of the National Wages Board was to negotiate war bonuses on a national basis. All the eight Sectional Wages Boards agreed to the proposal, and the Metropolitan District Wages Board was given special representation because of its size and importance.

During the war and subsequently the National Wages Board and the trade unions negotiated ten war bonuses, totalling 32/6 for adult males and 31/6 for adult females, with smaller amounts for juniors. Special war increases were negotiated for Branch Managers and officials. Other nationally negotiated agreements dealt with such problems arising out of the war as substitute and part time labour, reinstatement of employees, air raid precautions. When the National Arbitration Tribunal was established it was agreed that the independent chairmen of the National Conciliation Board should have authority to issue awards in all disputes referred to the Board which could not be settled by agreement, thus the principle of compulsory arbitration became operative for the first time in the Co-operative Movement. How long it would survive the ending of the National Arbitration Tribunal is a moot point, although there are grounds for believing that compulsory arbitration has come to stay in the Co-operative Movement.

The war time work of the National Wages Board, although it did not meet with unanimous approval amongst societies, won the confidence of the movement, with the result that when, at the end of hostilities, it was proposed that the National Wages Board should become a permanent committee of the Co-operative Union, with extensive powers to co-ordinate and unify agreements, consent to the proposal was granted with hardly a dissentient.

Soon after the decision was taken, the trade unions—who for some time had been very restless about the relatively low rates operating in some of the smaller societies, particularly in the south and south west—submitted demands for a revision of certain pre-war local agreements which were generally admitted to be out of date owing to war time developments (During the war local agreements had remained unaltered under a *status quo* arrangement.)

To these applications for a revision of pre-war agreements, the National Wages Board replied with an offer to negotiate national agreements for the main grades of Co-operative employees. The trade unions, whilst admitting the case for

national agreements, took the line that the time was inopportune to commence the big task of replacing some 250 local agreements by a series of national agreements. This difference of opinion was settled by reference of the dispute to the National Conciliation Board, whose independent chairman, Prof. Jack of Durham University, gave an award in favour of the National Wages Board.

In compliance with this decision the National Wages Board and the trade unions, after agreeing to set up a Joint Committee for National Negotiations, commenced—in August 1945—the task of negotiating national agreements. The task proved long and difficult, and it was not until twelve months later that the parties were in a position to recommend acceptance of the terms they had negotiated. Both sides obtained approval from their constituents for the recommended terms, and the agreements became operative in October 1946.

The main features of the National Agreements are: societies are placed (in accordance with principles laid down in the Agreements) into one of four categories (the desirability of introducing a fifth category into the Agreements is under consideration), the working week is reduced to forty-four hours, with overtime payable at time-and-a-half rates, workers qualify, after twelve months' service, for an annual holiday of twelve days, apart from Bank and statutory holidays. Representative rates (including war bonuses) are: male shop assistants—London, 110/-, Provincial "A", 100/6, female shop assistants—London, 82/6, Provincial "A", 77/-.

## II

Having reviewed briefly the history of wage negotiations in the Co-operative Movement, we now turn to a description of the methods of negotiation, but it is necessary to remember that any attempted description, and, in particular, any attempted generalisations, cannot cover adequately all the factors.

In the first place, it has to be admitted that agreed principles (other than general acceptance of the principle of collective bargaining) do not exist for regulating wages and conditions of employment in the Co-operative Movement—any more than they exist outside the movement. Small blame can be attached either to members of Wages Boards or to trade union officials for this state of affairs. Even if Co-operative negotiators, and

the trade union officials with whom they are in close contact, were familiar with the writings of economists and sociologists (which they are not), they would have little to guide them. Principles of wage fixation have still to be worked out and, what is equally important, agreed. A reference to the marginal productivity theory of wages, irrespective of what truth there may be in that theory, would be of little help in settling the issues raised by a demand for 5s increase for the movement's shop assistants.

This lack of principle causes both sides to resort to the use of such arguments as they hope will convince the other side of the justice in the attitude they are taking up on the issue under discussion. The result can be anticipated. Widely inconsistent arguments are used by both sides. If the wages of workers employed in an unprofitable department are under discussion, the Co-operative side tends to stress the unprofitability as an argument against concessions. The trade union officials retort that the unprofitability and the implied mismanagement are not the fault of their members, who should not be expected to suffer. If the department is profitable, the trade union officials will almost certainly make its profitability a feature of the negotiations, but will be met with the argument from the Co-operative side that, as the movement is organised in the interests of its consumer members, the latter, and not the employees, should reap the advantages. In periods of rising prices the trade unions' officials will use the rise in the level of prices as an argument for higher wages, but in periods of falling prices will either contest the fact of the fall in prices or will find other arguments to support their case. Similarly, the Co-operative side will use equally inconsistent arguments based on movements in the price level.

It might be asked, if there are no agreed principles of wage fixation, how is it possible for agreements to be reached? (It is necessary to emphasise that agreements *are* reached, as it is only a relatively small proportion of disputes which are settled by arbitration—a state of affairs which is not confined to the Co-operative Movement.) An important factor making for amicable settlements of labour disputes in the movement is the fact that the parties on both sides have, to a greater or lesser extent, divided loyalties. A large proportion of the members of Wages Boards are manual or clerical workers and, as such, devote a proportion of their activities in trying, through their trade union, to bring their own wages up to what they con-

ceive to be "fair" wages. They thus have a bias in favour of the wage-earner even when they have to negotiate as employers. Many of the trade union officials who negotiate on behalf of Co-operative employees are themselves former employees of the movement and, whilst they believe they are in honour bound to contend on behalf of their members, fully appreciate that there is a limit to the wage paying capacity of societies. They also well know that it is the Co-operative Movement which provides them with their members and, in the main, appreciate that there is no sense in 'killing the goose which lays the golden eggs'. Thus the negotiators, drawn from the same wage-earning classes, tend in the main to explore every avenue in trying to reach a compromise solution which will not be unfair to either side.

The influence of employees as members of the Co-operative Society which employs them, and as voters in the elections of management committees, is not without its reactions on Co-operative wage negotiations. As previously mentioned, the employees in some societies by dominating the committees of management have been able to prevent their societies from affiliating to Wages Boards, and have thus been able to secure for themselves and their colleagues more favourable terms than they would otherwise have obtained. In other societies Co-operative employees sitting on the committee of management—although in a minority—are able to influence their more numerous colleagues to record decisions favourable to the employees which, but for the fact that the employees are members of the Committee, would not have been reached. The trade unions continuously use their influence to increase employee representation on management committees, claiming for their members what they describe as "full rights of membership". The justice of this claim is not universally admitted in the movement but is opposed in some quarters as savouring of syndicalism. The National Executive of the Co-operative Union has recently used its influence against extended employee representation, a subject on which more is likely to be heard in the near future.

The question may legitimately be asked, "What is the net result of the organisation of Co-operative employees and Co-operative Societies into collective wage-negotiating bodies? Do the results differ materially from those which would have been realised from individual bargaining between employee and society?"



It is obvious that, in the absence of trade union organisation, there would be limits below which the wages of Co-operative employees would not fall. These limits would be the wage rates which would be insufficient to attract an adequate supply of staff of a required quality. On the other hand, the upper limits to which the most powerful distributive trade union can push wage rates are, in practice, those which so increase the cost of distribution in Co-operative Societies that societies, in self defence, would be compelled to reduce their activities, and thus the number of workers employed. This, however, does not carry us very far, as between these upper and lower limits there is a relatively wide range of possible rates.

Notwithstanding the growth of large scale retailers during the last few decades, the average number of shop workers employed per employer is still very small. If for no other reason, the unorganised shop worker has great difficulty in ascertaining the value of his services on the labour market. He thus tends to be even more immobile than industrial workers and, in consequence, his wage may for relatively long periods be below (or even above) the marginal productivity rate.

It seems, therefore, reasonable to conclude that, in periods when the labour market is favourable to the wage-earner, wage rates in the Co-operative Movement tend to rise more quickly, and possibly by greater amounts, than they do in private trade. This conclusion is borne out by the experience during the late war. As previously mentioned, nine war bonuses were granted to the main body of Co-operative employees. Some war bonuses would have been granted even if not a single Co-operative employee had been a member of a trade union, but it is doubtful whether they would have been granted at approximately six monthly intervals—which was one of the effects of trade union organisation among Co-operative employees. This conclusion is borne out by the experience of the Retail Distributive Joint Industrial Councils established just prior to the war. These Joint Industrial Councils regulate, in admittedly an imperfect manner, the wages of private trade employees, but the trade unions' representatives on the Industrial Councils succeeded, during the war, in persuading the private trade employers' representatives to agree to roughly the same war bonuses as were granted to the Co-operative Movement. But on each occasion there was a time lag of up to six months between the Co-operative and private trade advance.

This conclusion suggests that in periods when the state of the

labour market is unfavourable to wage earners an effect of Co-operative employers' organisations would be to speed up the necessary downward adjustment of wages. Undoubtedly this tendency operates, although experience suggests that the downward movement does not operate so smoothly or so rapidly as does an upward movement. The reason is probably psychological. The working class members of Wages Boards are always reluctant for the movement to press for reductions, and it is only when adverse economic conditions have led to an appreciable cut in the surplus available for dividend that applications for reductions are made.

The paucity of statistics in the private trade makes comparison between Co-operative rates and private trade rates a difficult task, but such data as exist suggest that Co-operative wage rates for distributive workers are, and have for many years been, on the average at least 10s. per week higher than private trade rates. It is probable that a substantial proportion of the difference can be accounted for by the fact that the Co-operative employee, unlike the employee in private trade, is a trade unionist, a conclusion which is borne out by the fact that in the case of workers engaged in well-organised trades—e.g., builders, printers, etc.—the Co-operative Movement is content, in the main, to observe the agreed rates for the trade.

### III

Those concerned with labour relations in the Co-operative Movement are closely watching the outcome of the recent amalgamation between the National Union of Distributive and Allied Workers and the National Amalgamated Union of Shop Assistants. Whilst the former Union's quarter-million membership was almost exclusively Co-operative, the National Amalgamated Union of Shop Assistants—the much smaller union—had perhaps one-third of its membership employed in private trade. Moreover, it was able to wield an influence out of all proportion to its numerical strength. Its officials, during the inter-war years, succeeded in obtaining recognition from the private trade employers and their Associations. Just prior to the outbreak of war, the Union was largely instrumental in getting established Joint Industrial Councils for the retail trades, which have already done useful work.

Co-operators are asking whether the amalgamated Union will continue this work by devoting a reasonable proportion of

its time and money to organising the private trade employee. If the Union will do this, it can reduce the gap between private trade and Co-operative rates and conditions, and by so doing perform a valuable service for the private trade employee, and at the same time strengthen the Co-operative Movement's competitive position.

This policy would be in line with the Union's advocacy of an extension of collectivist control over the nation's industry and commerce. The distributive trade unions have been consistent supporters of the Labour Party's policy of collectivism. N U D A W in particular had for many years had a number of its officials in the House of Commons, and its successor U S D A W has its representatives in the present Labour Ministry. The Co-operative Movement's practice and policy is in line with the ideals of collectivism. It is democratically controlled, and is not run in the interests of private profit-makers, to name two of the tests frequently applied by collectivists. It is, in consequence, a movement which should receive the support of the present Labour Government and its trade union supporters. The Union of Shop, Distributive and Allied workers is in a particularly strong position amongst trade unions to strengthen collectivist practices, simply by ensuring that in the distributive trades Co-operative rates become the "rate for the job". Will it resolutely follow this programme, or will it follow the simpler task of extracting what it can from the Co-operative Movement in the interests of a minority of shop assistants? The answer depends on the statesmanship shown by the Union's officials and its rank-and file membership.

Rising wage costs is a problem which is facing all societies. Costs of reinstating former employees from the Forces, and higher wage rates, have added substantial sums to societies' wage costs. A compensatory factor has been the increase in sales but, because of the rigid control over margins, the surplus has not risen by a corresponding amount, with the result that rates of dividend have fallen steadily during the last couple of years.

Relief does not appear to be in sight. There is little prospect of a fall in wage rates in the immediate future. On the contrary the fact that the general level of wage rates still tends to rise is increasing the pressure for higher wage rates. Neither are there good prospects that any appreciable increase will be allowed in retailers' margins. The annual cost to the tax payer

of food and other subsidies is in the region of £400 million, and any increase in the retailers' margins would add to this enormous cost of the Government's policy in holding down the cost of living.

It is safe to prophesy that societies, in an attempt to prevent this squeezing of the rate of dividend by the upper millstone of higher wage costs and the lower millstone of controlled margins, will be driven to carry on their activities with the minimum number of workers. This is, of course, in the national interest. Government spokesmen have in recent years time and time again warned the distributive trades that they must manage with fewer workers than they employed in pre-war days, and one of the tasks facing the distributive trade unions and the movement's negotiating bodies is to ensure that this reduced labour force is employed to the best advantage. There should be no more strikes, official or unofficial, in the movement, there should be less talk of "men's work" and "women's work", and there should be a general willingness to try experiments with the object of effecting savings in labour costs. As the *Statement on the Economic Considerations affecting relations between Employers and Workers* (Cmd 7018) states "It is as necessary to increase the work done per person in the distributive trades as it is in manufacturing industries".

In this connection it is of interest to note that, officially, the movement has not favoured piece-rate systems, or even commission systems, although both operate to a limited extent within the movement. Most sections of the retail trades do not lend themselves to payment by results, and even commission systems can, as Co-operative experience shows, create many difficulties and anomalies, especially when workers are strongly organised. (The private trade might be less favourably disposed towards its commission systems if its employees were trade unionists.) It is doubtful, therefore, if there will be any appreciable extension of the system of payment by results in the Co-operative Movement, notwithstanding the recent Government announcement that it desires to see the system extended in the interest of increased production.

### III GENERAL

#### CO-OPERATION AND THE COMMUNITY

By W P WATKINS

MAN is an animal that lives in communities. There would perhaps be no need to repeat this truism were its truth not so often ignored or forgotten. For the greater part of the nineteenth century no truth about man was so consistently neglected by conventional political and economic thought. Even to-day, although individualism as a doctrine no longer sways any significant body of adherents (individualists by nature Britain always has had and will have, even among Socialists), people take individualist premises unconsciously for granted. Much of their thinking is two dimensional. It is a graph of which "the individual" and "the State" are the co-ordinates. Few have fully grasped the truth that man must live in communities, not merely in the sense of grouping his dwellings together, but in the sense that, deprived of the common resources and mutual stimulus of community living, his individual existence, both physical and spiritual, is barren, stunted and poverty stricken. In our generation it is chiefly the town-planners who have brought the community—the third dimension—back into its rightful place to complement and balance the other two.

The central problem of statesmanship to-day is that of building healthy, happy and flourishing communities on the foundation of modern science and technique. Machine production, scientific processes and market economics, especially when initiated under capitalist auspices, have shattered, wherever they have penetrated, not only the primitive economy of hand work and rule of thumb, but also the ancient community life of which it formed an integral part. Perhaps this was not often deliberately done or permitted. It is rather that business men and statesmen alike have been community-blind and deaf to almost any other language than that of money. In Britain the impact of the Industrial Revolution

tion, with its shifts of population, new factory discipline, increasing economic insecurity, break up of the family as a working unit, divorce of worker from the ownership of tools and material, division of producers from consumers, atomised British society, as the cultural sterility of the suburbs of our large cities abundantly testifies. Moreover, as Dr Karl Polanyi has shown in his *Origins of Our Time*, the impact of market economy on the social life of less developed races has been strikingly similar, and it is only within the last generation that colonial administration, enlightened by sociology and anthropology, has become aware of what was happening and taken steps to prevent or alleviate it.

In the early days of machine industry there appeared one man above all others who showed that he was aware of the reasons why the Industrial Revolution had led to social disaster, as well as the direction in which the remedy should be sought. That was Robert Owen, and it is no accident or coincidence that he has always been revered as the prophet and progenitor of the Co-operative Movement. It is of little importance that Owen professed many untenable doctrines, or that he expressed the truth he perceived in extreme and untenable formulas. Most of our generation, for example, would agree that his interpretation of his own maxim "A Man's character is made for him and not by him" was one-sided because he thought almost entirely in terms of environment, and ignored heredity. Owen's rightness of view is proved not by what he said or wrote, but by what he attempted to create, particularly while he was the managing partner at New Lanark mills. He there tried to transform a heterogeneous assembly of migrants, with no common background of origin and no bond but the wage nexus into a community. He tried to supply what was entirely lacking in the new industrial settlements then springing up between the Forth and the Clyde, in South Lancashire, the West Riding, Durham and Tyneside, Staffordshire and South Wales. One by one later generations have been obliged to advance on all the lines that Owen explored—to develop the interest of workers in their work to raise earnings and increase leisure, to improve diet and humane education, to build decent houses and provide social amenities. But most of all modern planners are trying to restore that proper integration of home and work place, of the community that works and the community that enjoys leisure, that Owen was the first to seek.

The main difference between Owen's reforms at New Lanark and the welfare work carried on by his father-in-law and predecessor, David Dale, who was reckoned a benevolent and enlightened employer in his day, is that Owen consciously aimed at building a community. And the extent to which he succeeded, in spite of his sceptical partners and the unselected material under his hands, is additional evidence of the fundamental rightness of his view. Time has vindicated, and will vindicate still more, Robert Owen's practical work. A direct line of descent runs from Owen's quaintly-named "Institution for the Formation of Character" at New Lanark, to what is known in modern jargon, for want of a more apt and vivid title, as a 'Community Centre' in, say, New Birmingham or New Manchester. And Community centres, be it remembered, have been recognised since the Education Act of 1944 as a vital part of adult education for which local education authorities are responsible.

Owen's unsuccessful attempts, even before he left Lanark, to win acceptance for his community plan as an alternative to poor relief are familiar history. Not that a few princes, philanthropists and politicians did not toy with it, but in the end only the wage-earning classes took it seriously. The co-operative experiments, which appeared in growing numbers during the 1820s, were attempts either to apply the community idea in one of its aspects or to accumulate capital in order to establish communities. That the ultimate aim of these efforts was "community on land" became an article of faith, later incorporated by the Rochdale Pioneers in their celebrated statement of aims and objects. There is a parallel, at once striking and significant, in the relation in which Owen and Fourier, his fellow visionary and planner of "utopian" communities, stood to the Co-operative Movements of their respective countries.

The Owenite community and the Fourierist phalanstery declined from the status of ultimate aims to that of pious aspirations, and eventually vanished below the Co-operative horizon altogether. The immediate economies yielded by co-operation, which were to be means to an end, usurped their place and became ends in themselves. Dividend on purchases, as some other form of saving money, not the creation of a new form of Society, became the principal object of Co-operation and the accepted yardstick for measuring its success, and still is. A young and enthusiastic American was recently heard to

declare that a provision limiting the proportion of its net surplus a Co-operative Society might assign to common purposes ought to be included in every code of Co-operative law, in the interests of the individual member, who would otherwise be deprived of his due share of the savings. Such a proposal, coming from a citizen of a country boastful of its democracy and rugged individualism, excites ironic laughter, but its very enunciation shows how far Co-operation to-day has travelled from the community idea that was its first inspiration. This is as true of agricultural as of consumers' Co-operation. With every increase in extension has gone a dilution of the social ideas of the pioneers. What influence to-day has Ruffessen's conception of the credit bank as a school of village solidarity, or Plunkett's formula, which linked better farming and better business with better living, even in their respective countries of origin?

Nevertheless, the Co-operative Movement contributes as much to social health by virtue of what it is as by virtue of what it aims at. Though the aim be low and the outlook narrow, the principles faithfully practised never fail to bear fruit. What is more, they are always capable of fresh applications to suit altered circumstances. The chief difficulty has always been that Co-operators have often been none too clear in their own minds what their principles really are. Too often they have confused them with the practical rules by which the principles are carried into effect. Such rules as "one member, one vote" and "dividend according to purchases" are not in themselves principles—that is to say, primary—irreducible elements without which Co-operation would not be Co-operation at all. They are the canons whose observance ensures the presence of these elements in the life of the Co-operative Society.

The rule-book gives each member a vote, and only one, irrespective of his or her capital holding. This is a provision which, if indispensable, is not the only one necessary to secure the operation within the society of the principle of democracy, which vests the supreme authority and the final power of decision in the membership as a whole. The dividend on purchases system also, coupled with the limitation of the rate of interest on share capital, safeguards the principle of equity and secures the fair distribution of the benefits of associated effort amongst all whose contribution is necessary. An even more finely-drawn application of the same principle is to be



seen in the Workers Co partnership Societies which divide profits between labour, capital and customer, or the French workers' societies, inspired by Fourier, which share profits between labour, capital and talent. Historically the idea is bound up with the labour theory of value and the desire to eliminate exploitation so as to secure for the workers the whole product of their labour. For the purpose of the present discussion it will serve to show that the real "Principles of Co-operation" are not the peculiar possession of the Co-operative Movement, but the essential elements of any stable yet progressive social order, or of any social life at all tolerable to free men and women to day.

The Co-operative idea is thus not simple, but complex. Nor is Co-operation itself a principle, as is sometimes loosely said. It is, on the contrary, a method or technique of social organisation, a mode of action in which certain principles are reconciled, balanced, integrated. It is for this reason that co operative action in any social system is constructive and tends towards unity. Co-operators, for example, observe the principle of economy. Like anyone else in business, they aim at securing the maximum product, be it goods or service, for the minimum cost. Their enterprises have to stand or fall by this test. But not by this test alone. Co-operative Societies have to satisfy the democratic no less than the economic test, as well as reaching a standard of justice in distribution acceptable to their members and workers. The capitalist, individual or collective, disregards all principles but the economic, or, if he considers them, makes them square to it. If democracy is good business, so much the better, if it is not, so much the worse—for democracy. As for justice in distribution, the state of the market is his criterion of the fair price. It is precisely because it makes market values paramount, that capitalism disintegrates social systems, just as it is because it puts market value in a wider and more human setting, that Co operation is capable of re-integrating society.

The community of which the early Co-operators dreamed was a society in which democracy and equity (justice in distribution), in combination with other principles such as personal liberty and the right to education, were applied to every aspect of social life. Later French and Swiss Co-operators called this "*la co-operation integrale*". The facts of Co-operative history show, however, that the movement's line of advance has not been so much towards the intensive applica-

tion of the Co-operative idea to the life of small communities, as along the line of its extensive application to the economic problems of particular classes of persons in large nations. Co-operation thus became specialised in independent, and sometimes mutually antagonistic "movements", often allied with class interests and divided by class barriers. Consumers' Co-operation is often coloured, consciously and unconsciously, in its outlook and policy by the interests of the industrial wage-earners who form the backbone of its membership, as agricultural Co-operation is influenced by the solidarity of the whole class of farmers. Whatever Co-operative Movements sought to integrate themselves with, it was seldom with other types of Co-operation. In Great Britain consumers' Co-operation has always maintained a better understanding with trade unionism and Labour political organisation than with agricultural Co-operation. There has been admittedly, in several countries, a certain amount of mutual help and collaboration, especially with regard to legislation and taxation, which affected all types of Co-operation indiscriminately, but it is only in recent years that what are called inter-Co-operative relations—e.g., mutual trading between consumers' and farmers' Co-operatives—emerged from academic into practical importance. One of the most significant differences between pre-Nazi and post-Nazi Co-operation in Germany is that, whereas inter-Co-operative relations were formerly rare and almost fortuitous, the collaboration of consumers' and agricultural Co-operative organisations for the collection and distribution of farm produce is taken for granted as indispensable in future to an efficient marketing system.

It may well be that the self-supporting Co-operative community, as it was portrayed by Robert Owen, William Thompson and their followers, looked back rather than forward, and had no real chance of practical realisation in an age increasingly dominated by specialisation and expanding markets. That age seems to have passed. Certain kinds of expansion have come to an end, having reached world limits, while the world itself in terms of transport and communication has shrunk. Conflicts can no longer be avoided by expansion into unoccupied or uncontested spaces. Competitors must come to terms or mutually destroy one another. Specialisation must be balanced by co-ordination, freedom of enterprise limited by the overriding necessity of united or agreed action. The approach to the problem of world nutrition by the Hoi

Springs Conference of 1943, and the conclusions it reached, illustrate this change in the economic background. The fact that the practical measures proposed by this and subsequent conferences have been whittled down to suit less enlightened views and special interests does not detract from the evidence they gave that the world is one community and that the well-being of the lesser communities within it depends on recognising their dependence on it and on one another.

In this setting the problems of inter-Co-operative relations appear to possess increasing importance. This does not simply refer to the value attached to inter-trading between consumers' and agricultural Co-operatives by one resolution of the Hot Springs Conference, which was, after all, little more than a re-affirmation of a similar resolution passed by the World Economic Conference at Geneva in 1927. Such inter-trading is only a particular example which points to an idea of much more general significance—namely, that the principles governing the integration of the world community are essentially the same as those governing the integration of local and national communities. The correlation between class-tyranny or class-conflict at home and imperialist aggression abroad is familiar enough in the recent history of more than one nation. With the resolution of class-conflicts which have their origins in the market economy, and resultant better national integration, an increasing measure of world integration would seem possible, and even attainable.

Now, the various Co-operative Movements, in so far as they can correlate their action, make for integration at every level. Charles Gide in a celebrated passage called attention to the harmonising power of Co-operation in resolving the conflicts of interest which underlie so many modern social problems—between traders and customers, between employers and workers, between tenant and landlord, between farmer and middleman. In each case the conflict is resolved by replacing the opposing parties by a society which unites their interests, transferring the shop to the consumers, the workplace and responsibility for management to the workers, the apartment block to the tenants, the processing and marketing of produce to the farmers. It may be contended, of course, that this development of Co-operation does not completely resolve, but merely postpones or disguises, certain fundamental conflicts, notably that between producers and consumers. It would be idle to deny that this has often happened. Nevertheless, the

Co-operative system brings to bear on the more obvious opposition of interest between producer and consumer certain favourable influences exerted by scarcely any other. There are, first, certain common sympathies which spring from the practice of the same principles and a common hostility to mere profit-seeking business, and second, a kind of economic common sense which looks to the long run rather than the short-run interests of both parties, and thus leads to a willingness to sacrifice the utmost immediate advantage to a long-period contract promising security for some time ahead. This assumes, of course, that both Co-operative producers and consumers understand their principles and loyally observe them. These Co-operative organisations will not exempt producers or consumers from the natural consequences of ignorance or short-sighted cupidity.

The spread of Co-operative Movements, however, in the long run not only tends to wean the mass of citizens away from conscious or unconscious individualism, but also to knit together different social groups through the practice of similar techniques and the sharing of common ideas. Here it is well to recognise that there exist movements and organisations which may not bear the Co-operative label but which, when the test of principle is applied, may prove to be Co-operative in spirit and in fact, and that the practice of Co-operation is not limited to those narrower economic fields in which the "business man" normally operates. A community centre constituted in the manner recommended by the National Federation of Community Centres and the Ministry of Education is, by any test, a Co-operative undertaking for recreation and education. There is everything to be gained by extending the province of Co-operation, and especially Consumers' Co-operation, from the purveying of milk and groceries, to the supply of all those comforts and amenities which raise human life above the merely animal. It is odd how often Co-operators forget that creatures who do not live by bread alone need nourishment for their souls as well as for their stomachs.

The machine technology which broke up the old traditional community life will not of itself build a new one. It provides a new basis and immensely enhanced power, but until it is controlled and directed by a concept of human welfare, such as H. G. Wells and F. D. Roosevelt tried to define in their several ways, it will frustrate every attempt to plan a secure and spacious existence for mankind. Probably at no

other period in human history has it been so easy for so many to be governed by so few, and the results are frustration and exasperation. The power which brings increased well-being within our reach snatches it from our grasp in materially devastating and spiritually exhausting wars. No unprejudiced citizen believes any more in confiding such power to self-appointed individuals working for profits. On the other hand, there is reluctance to entrust every function to Government, which seems in the last analysis itself a machine, cumbrous, rigid, slow, and often as inhuman in its acts as in its vocabulary. Even a Labour Government, under the stress of a national emergency, is in danger of forgetting that the real housing problem in Britain is not one of providing adequate shelter, but of building communities.

How are the common man and his wife to regain mastery of the means of living and ensure that these complicated and dangerous economic and administrative machines on which they now depend serve their purposes? Only, it seems, in so far as they can learn to act *en masse*, for as individuals they count for less than nothing. Of the forces which have been teaching them how to make their numbers tell and how to administer their common affairs efficiently in their own interests, the Co-operative Movement is among the most widespread and successful. Yet its teaching has mostly been incidental, and less effective than it might have been, owing to the common error that Co-operation is primarily, if not wholly, a matter of economics. Suppose that leading Co-operators awoke one morning to the realisation that their true mission is not economic, but educational—namely, to prepare the masses for community living by training them in the technique of Co-operation. Suppose that the Labour and Socialist Governments of Europe and the British Commonwealth were willing to borrow a little wisdom from Lenin in their attitude to Co-operation. Vain suppositions, perhaps. Nevertheless, it is the writer's conviction that sooner or later the task which Robert Owen attempted will have to be tackled again, if only because it will be found impossible to teach the man in Arkansas to behave as a neighbour to the man in Azerbaijan, and vice versa until both have truly neighbourly relations with the other folks in Arkansas and Azerbaijan. After all, the most discouraging thing about the Germans is not so much with what inhumanity they have treated other nations, but how inhumanly, when you come to observe them,

some of them will treat other Germans. If the Germans corrupted by Nazism, are an exception to the general run of nations, it is rather in degree than in kind.

But suppose again that a community, a village, a city can be permeated with the Co-operative technique, that the people not merely observe the rules, but understand the principles, surely they then have a clear run of thought from the local to the national, from the national to the international, and the road is open along which all mankind can march into a new era of world community.

## CO-OPERATIVE DESERTS

By NEIL S. BEATON

CONSUMERS' CO-OPERATION, on the Fenwick and Rochdale principles, sprang out of a consciousness that, by common and joint effort, the benefits of mutual trading and association would be conferred on all its participants. Expressed alternatively—with trust and goodwill and by planned buying and scientific distribution—it was realised that the needs of the members could be secured at the minimum cost, and that any surplus after legitimate expenses had been met could be returned to the consumer.

There were other angles of thought and practice inherent in this voluntary act of united effort, but these are not immediately relevant to the purposes of this essay. Nevertheless it has to be stated that the act of unity denoted a change of heart—a breaking away from the capitalistic competitive spirit which dominated the realm and exploited the ordinary consumer in his every-day needs.

The progress and success of Consumers' Co-operation is amply demonstrated in the closely knit framework of Co-operative Retail Societies established in these islands through the media of the English and Scottish Co-operative Wholesale Societies.

The influence of the latter requires no recapitulation in these days exemplified as it is in the huge annual trade of £250 million, their strong capital position, the large-scale productive operations conducted on sound lines and the refund to their members by way of ample dividend on purchases, and, by no

means the least of these benefits, the training ground for millions of ordinary folk to handle their own affairs

The acceptance and development of this principle have been so universal that it is a matter of wonder that there are areas which for a long period of time have presented a closed door to the adoption of simple Co-operative practice, and it is of these areas—which of all places were to be found in Scotland—that I would write. For it has to be kept in mind that Scotland, out of all the constituents in the International Co-operative Alliance, is the most Co-operatively conscious if one rates “consciousness” on the basis of (1) membership in relation to total population, (2) average trade per member and (3) the extent of Co-operative production. Indeed, in numerical strength and in Co-operative loyalty the Scottish movement has no peer. Yet in its strength, the leaders have known that whole unities located in the Highlands and Islands were, Co-operatively speaking, black or desert spots.

Naturally, there is a background to such a position, and it was keenly appreciated that some new technique was required to meet the special circumstances. The root of the trouble lay in the fact that, from the time of the clearances, the hand of the landlord lay heavy on the people. The small traders constituted themselves in the sparsely populated areas a ruling and dominating authority, and any deflection of loyalty from them merited its own peculiar punishment. As a result there was no sphere of influence in which to encourage collective effort for the community’s need—no rallying ground on which to challenge the orthodox in this hinterland, the remnants of the Feudalism and Landlordism of the nineteenth century. Some hardy souls did endeavour to “set the heather on fire”, but their enthusiasm waned under the pressure first of ostracism, later of economic power.

In 1934 the Directors of the S C W S made up their minds that the Society’s resources were such that they could safely enter the lists in the interests of those who were helpless to found Co-operation. Formerly, it had been the Society’s rigid tenet that the local people must of their own volition set to and found their Society, provide the capital, find the premises and elect their own management.

For some years the S C W S set aside an agent who sought to shepherd all such to a common fold, but the road was very wearing. In 1934 it was realised that newer days needed newer ways and that, with an element of impacting Co-operation

for a while might prove the remedy and furnish the basis for a more rapid adoption of Co operative trading

Once it was established there was a genuine desire in a locality for a Co operative Society, the S C W S , under their rules, purchased premises or, by mutual agreement, an existing business, to be operated in the interests of all who would rank in the branch as purchasers. The complete system of management was laid down by the S C W S , which accepted full responsibility. It refunded all surpluses to the purchasers on the basis of purchases, but at the same time accepted such loan capital as the membership had faith to offer. By rule it was laid down that, whenever the local people felt confident to do so, the Branch or Interim Society would be handed over to the local purchasers.

The result of this new approach has been tremendous. Its force has been dynamic to the extent that since 1934 over one hundred local Retail Branches have been established in effect, over one hundred Retail Co-operative Societies serving separate areas. The purchasers number 93,483, and the actual trade £3,037,453 per annum. But the greatest victory is the step now contemplated of consolidating this vast undertaking into one Retail Co operative Society with full democratic rights accorded to all.

The path to this point has had other compensations— inward satisfaction for the pioneers, and material for the consumers. A few illustrations will suffice.

*Island of Eigg*—The inhabitants of this island, numbering 138, were formerly dependent on casual service from the mainland. In 1920 matters became most serious, and stark starvation seemed imminent. A call was sent forth to the S C W S , and immediately acted upon, and to-day continuity of supplies is assured from the S C W S to the Co-operative Branch there, which is the only distributive agent on that island.

*Island of Raasay*—For years the main supplies came through a local family, which ultimately, through age and infirmity, was unable to carry on. No signs were forthcoming of any other firm taking over, and again the call was made upon the S C W S . To-day, through the S C W S Branch there, the entire island is serviced by the Co-operative Movement.

The outbreak of war prevented the extension of a new type of service—namely, a shipping shop. The S C W S secured a small motor vessel, which was intended to visit regularly twice



a week such of the smaller islands in the north as could be approached. The equipment of the vessel was in reality what we would regard as equivalent to a shopping van. Recently on the Island of Stroma the population met and here again decided that the S C W S should be the medium through which they would have guarantee of supplies and service.

Much the same story can be told of the influence of the S C W S in support of the local people and to make them independent of mediocre service, particularly in the islands of Lewis, Skye, Shetland, Orkney, Islay, Tiree, Barra, Harris, Arran, etc. Appreciation is not lacking of the manifold benefits conferred.

The cry is continually raised against the movement that local funds and resources are spirited to the South. But in fact all surpluses are allocated and paid to members locally in the shape of dividend. The continuity of service by their own vans despite the severity of weather conditions, and the improved conditions granted to the local workers who are employed by the branches, have resulted in an entrenchment of Co-operative effort in these islands which is to-day stronger—in adverse ratio to the length of their experience in Co-operation—than in the more industrial parts of Scotland which have known Co-operation for over 125 years. Indeed, the attendance at the General Meetings, when a full account of the stewardship is given to the local members concerning their particular undertakings, shows a conversion which is lasting, and is in direct contrast to the City Company Meeting, where the attendance is often influenced by the results (good or bad) of its financial period.

But the partnership of the local people with the national organisation has been used for other purposes. In Shetland it was once the established practice that the local trader accepted the well known woollen productions of that island in exchange for goods. With the entry of the S C W S Branch there a change of practice took place. The goods were accepted and sent to Glasgow to the drapery establishments of the S C W S, and a proper and equitable price handed over without any insistence that the monetary return should be expended in the Society's own premises on the island. Further, in order that the Shetland weavers might secure a world market, the S C W S also introduced these goods to London and New York, quite apart from the British Co-operative market.

In Skye at the moment an experiment is being conducted whereby a stronger link may be forged between the consumer needs of the islanders and their productive effort. Recently the livestock has been taken from the island by a Co-operative and marketed on the mainland. How far that experiment will be extended has yet to be seen, but it is evident that in embracing Co-operation its influence can be so exerted as to affect the whole economic structure of a community.

But there is a wider aspect in this development. The plans of the S C W S are such as to embrace a greater number of their own people in Co-operative service, recognising that the conditions are superior to anything outside the movement. Such plans are designed to retain to the Highlands their own people. As already pointed out, the clearances drove the Highlanders and Islanders away from their homeland either to the industrial south or overseas. Two world wars have not lessened the tendency, since living conditions generally have remained pretty much as they were. The efforts therefore of the S C W S, Hydro Electricity Board, the Scottish Tourist Board and the Forestry Commission are such that new light industries can now settle in the northern parts of Scotland thus enabling the Highland people to remain in their own area, and conserving to Scotland its undoubtedly high standard of man power.

The Special Committee recently appointed by the Secretary of State for Scotland on Technical Education offers hope for new centres of training which will foster and encourage the intention behind these other efforts.

This is no idle dream. The past twelve years have shown the efficiency of the methods adopted in the new technique. It is felt that when the new Constitution comes into operation further incentive will be given to the Highland and Island people to utilise their own resources and their new experience towards moulding a fresh pattern of employment within their own communities. The Central Board, consisting of representatives of 118 local Branches, will take over from the S C W S and coalesce the communities into a single whole. In their hands will be placed an instrument which can weld firmly together what will be geographically the largest unit of Co-operation for the British Isles. But this will not be the greatest victory, that will be the fact that we shall bring within the Co-operative Movement a section of the community which hitherto has stood outside. The new entrants

to the Co-operative Movement have a tremendous contribution to make to the advancement of that movement in that their traditions, their history, mark them as a grand type in thinking, and albeit in determination, once they have embraced the cause

## THE CONSUMER IN POLITICS

By JACK BAILEY

UNTIL 1917 the Co-operative Movement of Great Britain professed to be neutral in politics. Indeed, this was elevated to the rank of high principle. In that year, however, a resolution of the Swansea Co-operative Congress declared "that in the opinion of this Congress, the time has now arrived for the Co-operative Movement to take the necessary steps to secure direct representation in Parliament, and on all local and administrative bodies, as the only way of effectively voicing its demands and safeguarding its interests. It therefore calls upon the Central Board of the Co-operative Union, to take such steps as may be necessary to put into operation the terms of the foregoing resolution."

Upon this directive Co-operative Parliamentary candidates have been put into the field for the last thirty years. In 1917 war-time grievances brought to a climax an agitation which had proceeded for a generation within the Co-operative Movement. As far back as 1897 Congress, under the inspiration of William Maxwell's leadership, unanimously pronounced that "the time has arrived for the direct representation of the Co-operative Movement in Parliament."

It is not proposed to deal with the history and growth of political organisation in the Co-operative Movement—what is necessary is to show that the justification for Co-operative political action is to be sought within the terms of the movement's own needs and experience. The mere fact that Co-operative Societies recruit their members rather from one social class or from members of one political party than another does not decide the issue. Football supporters' clubs, churches, friendly societies and other organisations may similarly consist in the main of members recruited from the working class, but no one suggests that these should enter into politics in an organised way  
too

On occasion such institutions may take up political cudgels on their own behalf, but these are usually borrowed, and are gladly returned to their owners as soon as the occasion of their use has passed. It is not enough to prove that Co-operative Societies are sometimes attacked by politicians who dislike them, for such situations can be met by lobbying, protests and other forms of political agitation. Co-operative Societies in 1917 were justly angry because they were being unfairly treated by the Government of the day, and no one seemed to take much notice of their complaints. Five years later, with the restoration of normal trading conditions, almost every grievance which had led delegates to vote for the 1917 Congress resolution had been cleared up. But that resolution was not rescinded, and from then till now Co-operative political action has been re-affirmed at many meetings of Congress.

Those who are familiar with the history of the Co-operative Movement will know that political neutrality did not prevent Congress, under the leadership of active Liberals, from passing resolutions favouring specific items of Liberal Party policy. It was from these elements that much of the opposition to Co-operative politics proceeded. At the Plymouth Congress, in 1910, E. O. Greening is found protesting against the action of the Parliamentary Committee in issuing a circular on the eve of the General Election denouncing the use of the Lords veto.

Many resolutions came before Congress dealing with matters upon which a consumers' organisation might be expected to declare its mind. The free breakfast table was a favourite subject of Congress resolutions. Other resolutions, however, reflected the partisan political sympathies of the movers. The 1917 resolution of Congress was inspired by the experience of Co-operators as Co-operators. Henceforth the political attitude of the movement was no longer due to the pressure of a leadership committed by outside political loyalties. Unless that is appreciated, the whole of the subsequent development of Co-operative politics is without justification and significance. The Co-operative Movement is not politically a captive. Its political influence is not up for auction or put out to tender. If it cannot find in politics a field strictly relevant to its own principles, its only honest course is to return to the precious neutrality of the nineteenth century.

Co-operation was born in the days of free enterprise. During the period of its early development and later consolida-

tion it saw before it an era of almost unlimited expansion. It did not seek the aid of the State, except to guarantee its own integrity, nor did it presume that the machinery of the State would be used against it. If its pretensions were somewhat grandiose, its performances, considerable as they were, all things considered, did not greatly alarm the spokesmen of private enterprise. The Co-operative Movement encouraged thrift and temperance in its rank and file, and a high sense of responsibility in its leaders. It did not appear to challenge capitalist notions of property and individual ownership. This was no revolutionary challenge to the established order. It might even be regarded as a welcome and soft alternative to other social movements, some of them disruptive and potentially dangerous.

Its public manifestations did little to provoke organised political opposition. On the commercial field, in those days of *laissez-faire* there was room within the expanding capitalist economy for both traditional private enterprise and a Co-operative Movement, whose achievements lay more in the field of social ethics than economics. Hundreds of small Co-operative Societies, retailing the conventional range of food-stuffs, had little direct interest in the operations of Parliament. Their combined economic strength and experience did not equip them to play a creative part in the moulding of commercial and economic legislation. Such ambitions were at that time Utopian.

The experience of the Co-operative Movement after World War I was very different. The free-trade system had already been seriously challenged by the safeguarding duties. Britain's place in world economy could no longer be maintained without a drastic modification of the structure of industry and commerce. The content of politics was being changed. Interference with, and attacks upon the Co-operative Movement were much more likely to arise from changes in the structure of the capitalist system than from conscious and open hostility to the growth of the co-operative system.

Co-operation was at that time emerging confidently from the back streets and commercial slums of our towns and cities into the main shopping centres. New enterprise was being shown in the development of the dry goods trade. Whatever faults they may have had, Co-operative Societies were becoming increasingly significant in the distributive economy of Britain. Throughout this period certain sectors of private enterprise

were being re-organised into larger units in order to achieve greater industrial efficiency. This did not seriously disturb the relations of the Co-operative Movement with private enterprise as a whole. In the 1930s, however, the State itself took a leading part in the rationalisation of industry. The Agricultural Marketing Act and the Coal Mines Act weakened considerably the influence of the consumer upon the economic system. There could be little doubt that these efforts to restore prosperity to industry deepened the consumer consciousness of the Co-operative Movement. At the same time, the rationalisation of production had the effect of narrowing the field in which small capitals could operate.

On the distributive side, the small operator became uneasy about the growth of Co-operative Societies, multiple and departmental stores. It was his agitation that led to the setting up in 1932 of the Raeburn Committee, whose report led to an alteration of the basis upon which Co-operative Societies were assessed for income-tax purposes. Although the Co-operative Movement resisted this new burden and organised a monster national petition against it, its effect upon the political consciousness of the movement was nothing like so great as that of the general trend in economic legislation. The Co-operative Movement saw that its future expansion was being conditioned by Acts of Parliament, and that the policies made in the Co-operative boardrooms were being over-ridden by the decisions of politicians.

What was the use of developing the retail trade of societies if productive activities were to be left almost entirely in the hands of private enterprise? It would fundamentally affect the application of Co-operative principles to production, and make the movement even more dependent than it was upon private producers. All this quickened both political awareness and consumer consciousness in the movement.

Between the two world wars the national trade unions, on the whole, supported the arrangements by which control of markets, prices and output tended to become a function of the capitalist producer. Trade unions were obliged to do the best for their own members. Their choice lay between wages based on cut-throat competition and those based upon some kind of regulated industry. It was natural that they should choose the latter, even though it diminished the power of the consumer. They made common cause with employers' organisations in demanding the continuance of safeguarding, as in the lace

industry, and the imposition of protective tariffs, as in the wool industry. In the iron and steel industry, restrictive practices, whether by quotas or protective tariffs, were supported by the trade unions. The standard of living of the worker-producer was, in the circumstances, a more pressing problem to the trade unions than the rights of consumers.

From 1931 to 1939 this conception of planning was not fundamentally challenged by Socialists. Certainly the nationalisation of the key industries was advocated as a matter of course, but so far as positive schemes were advanced, they tended to put the expert and producer element in control.

And now a Labour Government is in power, and it is, of course, the intention of the Government to protect the consumer in the same way as the Government will protect everybody else. So far, however, functional representation of consumers on governing bodies has not been adopted. There is some danger, under the present schemes of centralised control, that consumer experience as such will have less influence than ever upon economic policy. With all its disadvantages, it is occasionally possible, by using alternative services offered by private enterprise, to compel recognition of consumer needs. If it is objected that no consumer organisation exists in some of the key industries, it does not dispose of the claim that it is to the general advantage that it should exist. Nor can that plea excuse the Government if it fails to create whatever machinery is necessary to bring the consumer creatively into the scheme of national planning.

Evidently the Government acknowledges the value of such organisation at the periphery, since consultative committees of users and consumers are being created for the nationalised industries. Representation at the centre is needed, and it is to be hoped that the Government will itself take steps to secure this. The orthodox Socialists also believe, where they have given so much thought to the question, that Socialism has a broader philosophy than Co-operation. They look upon Co-operation only as a set of theories and dogmas arising out of existing Co-operative commercial practice.

As a result, the Socialist often argues that the continued existence of voluntary Co-operation is unimportant, and declares that Co-operation must "adapt itself to Socialism"—the lesser to the greater, the part to the whole. It should 'fit in' if it wishes to avoid supersession or, alternatively, operate in spheres which are of minor importance in a Socialist economy.

It is within those limits that the relation between Co-operation, State and Municipality has for the most part been discussed. And it will not do. Nor does Socialism itself imply any such relationship. The mistake made by too many contemporary Socialists is to hold that Socialism is concerned only to settle the relationship between the State and industry and between the Municipality and local distributive services. They stop short of those fundamental human relationships which economics should subserve.

It has been suggested that the Co-operative Movement should be well content if it obtained from the State monopoly powers in the distribution of certain commodities. This ignores the voluntary character of the British Co-operative Movement, which neither coerces nor wishes to be coerced. To this the reply is sometimes made that voluntary Co-operation is an out-moded product of nineteenth-century capitalism, that it fitted in neatly with the prevailing notions of free enterprise. But are we prepared to regard as out-moded every conception that dates back to the nineteenth century? If so, we must abandon a large part of political democracy, and certainly get rid of parliamentary government, which dates still farther back in our political history.

Is there, however, any Socialist virtue in unnecessarily narrowing the field of associated voluntary action? Are we not attempting to construct a social order in which the abolition of the pressures and compulsions of capitalism will make possible new and enlarged freedoms?

The voluntary Co-operative system of industry, both productive and distributive, should be jealously preserved and encouraged by Socialists. It is nearer their own ideal than semi-corporatised State industry. Far from regarding Co-operation as a mere step to State ownership, they should, in some fields at any rate, regard State ownership and control only as the first step to a more complete Co-operative Socialist system.

Co-operative politics implies a critique not only of private enterprise, but of conventional State Socialism, at least as it is advocated and practised in Britain. Co-operative theory in Britain suffers from the traditional neglect of the Socialists. The machinery of State and Municipality has been greatly modified as the result of Socialist influence. It has been enlarged and adapted to the needs of national planning and public ownership. But who can claim that, apart from the contribu-



tion of the Christian Socialists in the development of productive Co-operative Societies, the Socialist Movement of this country has directly contributed anything to the development of Co-operative theory?

The I L P at one time did attempt to assess, in a number of inquiries and reports, the value of the Co-operative Movement.

It may be claimed with justification that the attitude of the Labour Party has always been friendly towards the Co-operative Movement. The General Election manifestos and other literature of the Labour Party have always contained some favourable reference to the Co-operative Movement, but have not specifically advocated support. Rarely does the Co-operative Movement get honourable mention in routine Labour Party propaganda. It is a condition of admission to Labour Party membership that applicants, if eligible, shall be members of a trade union, but no reference is made to membership of a Co-operative Society. The Labour Party may justifiably hold that, having narrowed its entrance by putting up the trade union barrier, it cannot afford to put up another in the interests of a movement which does not subscribe to its funds. The great bulk of its members, even those who are members of a Co-operative Society, are not active Co-operators and have little contact with or knowledge of the machinery of the Co-operative Movement. Co-operation has never appeared to them to be relevant to their principles. In any event it seems of less importance to them than to capture the State and Municipality and make these instruments of Socialist policy.

The Co-operative Party is the political wing of the British Co-operative Movement. It is finally responsible to the Co-operative Union Congress for its political policy. Its political policy must be shaped and qualified by the economic principles which are expressed on the trading side of the Co-operative Movement. From the first, the relations of the Co-operative Party with the Labour Party have been friendly, although both sides have been aware that there were important questions of social and economic policy upon which there was no final agreement. In 1927 a National Agreement between the two parties provided for a Joint Committee of the National Executives and agreed upon a system of local Co-operative Party affiliation to the Labour Party. The National Joint Committee mainly concerned itself with organisational and electoral problems. It could hardly be claimed that any of the

higher questions of policy were resolved by the Committee That remains to be done

In the two minority Labour Governments of 1924 and 1929-31 Co-operative M.P.'s accepted Ministerial posts without embarrassment to the Co-operative Movement Agricultural Marketing legislation and the Coal Mines Act did create some concern in the Co-operative Movement, because they lessened the power of consumers Apart from this, however, no major question of policy found the Co-operative Movement in serious disagreement with the Labour Government The existing consultative machinery of the two movements was probably adequate at that time On the other hand, the Constitution of the Labour Party was much looser in 1927 than it has now become In most constituencies where a Co-operative Parliamentary candidate was run a local joint committee of the two parties undertook propaganda and organisational work, and was responsible for the selection of the Parliamentary candidate, and either appointed or directed the work of the constituency Agent

The adoption by the Labour Party in 1933 of new regulations governing Parliamentary candidatures superseded these arrangements, and resulted in negotiations for a revised national agreement between the two parties A temporary agreement was reached in 1937, and from then until the outbreak of war in 1939 negotiations proceeded between the Labour Party and the National Co-operative Authority It is interesting to note that in the documents exchanged by the two bodies the National Co-operative Authority showed as much concern with the larger issues of policy making as with the organisational and electoral arrangements of the two parties In 1946 a new National Agreement between the Labour Party and the National Co-operative Authority came into operation It sets up a National Joint Committee of the Labour and Co-operative Parties to deal with organisational and electoral matters, and a National Policy Committee, representing the National Executive of the Labour Party and the National Co-operative Authority If there is top level agreement on policy, electoral and organisational problems should be readily solved Hesitation in reaching satisfactory working arrangements locally has been due largely to the fear of entering into commitments which might prove embarrassing to both sides if disagreement on policy questions arose nationally

This new piece of machinery, if it is used wisely, should

greatly assist both sides. It should help to resolve some of the outstanding questions referred to earlier. The only critics of the New Agreement are those who have advocated the national affiliation of the Co-operative Party with the Labour Party. This has been rejected by the Co-operative Party, and has not been pressed by the Labour Party, because it is a much less simple solution than it seems at first sight, if indeed it is a solution at all. Without substantial affiliation, bringing with it substantial representation, there would be nothing in it for either side. Certainly the Co-operative Movement, with its vast responsibilities, could not, even if it wished, accept the political direction and control of any organisation, however friendly, without a considerable measure of control over it. A nominal affiliation would add to its responsibilities more than it would add to its power. That would not be tolerable to a movement of nine and a half million members of varied political opinions.

Substantial affiliation with substantial control over policy and discipline might conceivably produce changes which would not be welcomed by the critics. Any system which maximised the financial contribution of Co-operative Societies and minimised their representation would be plainly inadequate, and neither side could desire it. What has been devised is a plan which works, not perhaps without occasional difficulty, but it is better than any suggested alternative. From a Co-operative standpoint, it is essential that the relationships of the movement with other bodies should not imperil its own unity.

The decisions either of the Co-operative Party or of the Co-operative Union Congress have to be implemented or rejected in the boardrooms of over a thousand separate Co-operative Societies and often at their members' meetings. To enforce an outside discipline upon a Co-operative Society is not the same thing as the enforcement of discipline upon a Divisional Labour Party.

In the latter case there are usually no funds and properties to liquidate. Divisional Labour Parties are responsible to the National Executive of the Labour Party—not to the Registrar of Friendly Societies and to a membership whose capital and trade are at stake. Critics must learn to apply Co-operative standards to Co-operative matters, and not the ordinary measurements of political organisation. In the circumstances, the arrangements between the Co-operative and Labour

Parties are a workable compromise. They have secured the united support of the Co-operative Movement.

It is from every point of view desirable that the Co-operative Movement should speak with one voice, and that it should contribute to politics the rich fruit of its own specialised experience. That view is not always appreciated. If its own experience is not significant to the content of politics, then there is no case for Co-operative political action, and the movement has no right to devote any part of its financial resources to political organisation of any sort.

The Co-operative Party has succeeded in winning the support of the majority of the Co-operative Societies in this country. At the end of 1946, 662 societies, of which 648 were retail societies, were affiliated to the Co-operative Party. The following table indicates how these affiliations are distributed between the various types of society.

ANALYSIS OF SOCIETY AFFILIATIONS TO THE CO-OPERATIVE PARTY

<i>Membership per Society</i>	<i>No of Societies</i>	<i>Total membership of group</i>	<i>Percentage of total membership of Societies</i>	<i>No of Societies affiliated</i>	<i>No of Societies unaffiliated</i>
100 001 and over	7	2 042 532	21.7	5	2
50 001-100 000	28	1 804 64	20.1	23	5
30 001- 50 000	26	967 464	10.4	26	—
20 001- 30 000	40	989 178	10.5	32	8
10 001- 20 000	91	1 277 797	13.8	72	19
5 001- 10 000	145	1 044 811	11.0	110	35
1 001- 5 000	415	1 039 230	11.0	27	143
1 000 and under	318	145 251	1.5	108	210
Total	1 070	9 401 027	100.0	648 <sup>1</sup>	422

<sup>1</sup> 7 830 000 members

The 17 per cent of the movement's membership not yet affiliated to the Co-operative Party is distributed amongst 37 per cent of the retail societies. Its wide commercial experience and its many contacts with the administration of Acts of Parliament make it easier to convince the larger societies than the small societies of the need for political action. The small society undertakes little regular educational and propaganda work, and it is therefore more difficult to bring home to

it the value of political representation. Small societies do not find it easy to appreciate, or to implement Congress decisions upon some of the larger questions of policy, since these often arise out of an experience different from or far beyond their own. It was not until the introduction of food control during the Second World War that they were much affected by legislative and national administrative trends. Since that time there has been a noticeable influx of the smaller societies into the Co-operative Party. The 'non-politicals' in the Co-operative Movement are a dead force. The case for Co-operative political action has been established at, and accepted by the members' meetings of the bulk of Co-operative Societies, but the decision to support the Co-operative Party has been made in terms of the movement's own economic and political experience. It is only when that experience is converted into significant political terms that it justifies any kind of political affiliation.

The Co-operative Movement will make its best contribution to contemporary Socialist thought and political action by refusing to qualify the lessons of its own experience in the light of someone else's experience. In these days when so much of our economic and political thinking is being re-examined, it is essential that the Co-operative Movement should speak plainly and frankly to its friends. The unity of the Democratic Movement is much more likely to be preserved if each unit attaches more importance to its own experience than to any plausible plea for uniformity. Unity is derived from the sum total of an endless variety of experiences. It is both artificial and unhealthy when any part of our own significant experience is stifled or withheld. Socialism stands to gain if it is open to receive the content of co-operative thought and provides for the widest variety in its own application to contemporary economic and political conditions.

## BRITAIN'S ROLE IN INTERNATIONAL CO-OPERATION

BY D. FLANAGAN

**T**O-DAY THE social organisation of the Co-operative Society is known to the people of practically every continent and to the citizens of most States. Few economic pursuits exist in which

Co-operative methods are not being employed with success in some part of the contemporary world. Estimates put the number of people associated with Co-operative Societies at about 150 million, whilst the number of societies of all types which is believed to exist amount to over 800 000. Indeed, it can be said with some truth that the Co-operative Movement has fulfilled its ideal in embracing the peoples of different colours, races and creeds.

The claims of Britain to be the motherland of co-operation are substantial. Not only did Britain provide the pattern for co-operation, but it took steps to encourage the spread of co-operation to other countries, and Co-operative Societies in Britain have played a fitting and prominent part in the creation and development of the organised international Co-operative Movement.

## 1 THE INTERNATIONAL CO-OPERATIVE ALLIANCE

The first international Congress met at the Royal Society of Arts, London, in 1895, with Earl Grey, who at a later stage was Governor General of Canada, as president. This congress marked the inauguration of the International Co-operative Alliance, which has now been in continuous existence for fifty-two years, and has survived two world wars. Resolutions were passed by the Congress supporting the various forms of co-operative development and urging unity of action between them, setting up a committee to frame a constitution for the Alliance, and urging that the matter of trading among co-operators of different nations should be examined.

Certain changes in the character of membership of the I.C.A. have taken place since the time of the first Congress. First, the membership of individuals was checked. There was a general ruling that the Alliance should be representative of those persons intimately connected with functioning Co-operative Societies. Later steps were taken to confine membership mainly to the national and central organisations of Co-operative Movements in the various countries where they existed. These refinements were introduced to ensure that the I.C.A. could properly be regarded as a representative body. Second, the Alliance to-day covers among its members a very large proportion of consumer societies. This change has not been achieved by any design, but simply through consumer societies extending more rapidly than industrial productive

and other types of societies. There is, however, no intention that the Alliance should be exclusively an organisation of consumer societies, and to-day the I C A represents about 93 million Co-operators in thirty-nine countries.

The British Co-operative Movement has been throughout the fifty two years existence of the International Co-operative Alliance one of its most continuous and powerful supporters, powerful in the sense that its membership substantially exceeds that of other movements save until recently the U S S R. During both the First World War and the Second World War, Britain, on account of its geographical position, was able to offer special protection and provide financial assistance for the I C A when other national movements could not do so. Then, again, the economic and political stability of the country helped to make Britain a suitable centre for the headquarters of an international organisation. Thus, quite apart from our pioneering efforts on behalf of the International Co-operative Movement, the Alliance has been assured at all times of the support of British co-operators. The Co-operative Union, the C.W.S., S.C.W.S. and the Co-operative Productive Federation, the Women's Co-operative Guild, are all members of the Alliance. In the case of Britain many local societies are also individually members of the Alliance, subscribing directly to its funds, as well as through their national organisations. Throughout the late war years discussions at the British Congresses on the affairs of the International Movement were even more lengthy and aroused more interest than ever before. Those who assert that the British are insular in outlook have to reconcile that view with the enthusiasm of ordinary Co-operators in international Co-operative affairs.

## 2. THE I C A AND U.N.O.

First and foremost the International Co-operative Alliance is performing a great service of education in world citizenship. Co-operation is the focus through which the Congresses and Conferences of the I C A view the world scene. In other words, the Alliance by its work assists in the formulation of policy on those matters which can be regarded as being internationally important. The Alliance in a sense then serves as a corrective to any influences at work which would undermine co-operative solidarity in different parts of the world.

The British Co-operative Movement and the International

Co-operative Alliance have watched with great interest the rise of the United Nations Organisation. It has been appreciated that the organised World Co-operative Movement has a contribution to make if U.N.O. and similar bodies are to fulfil their objectives with success. U.N.O. and its agencies are in the main organisations controlled by National Governments. The I.C.A., with its established organisation, its fifty years' experience in the discussion of international affairs, its direct contact with men and women who are intimately concerned about the domestic economy of the working people and their social welfare, has surely a contribution to make to the success of U.N.O. Not only that, but the co-operatives themselves have much to learn from the periodic review of universal economic problems by these world bodies, and in acquiring information which can assist them in framing the policies and programmes of the various national Co-operative Movements. Through their journals and magazines, their conferences and meetings, the Co-operative Movements are in a position to educate great masses of people on the policy of these world bodies. Further, there is always a danger that U.N.O. and its agencies at different times may be deflected from their true purposes, and the army of organised world co-operators could play a part in removing such dangers by their influence on public opinion. If U.N.O. and similar international bodies are to succeed, it does appear essential that surrounding them there should be voluntary international organisations which will maintain an interest in their work and applaud and criticise their activities as circumstances demand. It would be inconceivable for Parliamentary Governments to work without the contacts of trade unions, Co-operatives and of the other social groups intimately connected with specific problems. So too U.N.O. and its auxiliaries must draw information and inspiration from unofficial groups. Happily, then, the I.C.A. has secured category "A" membership of the Economic and Social Council, and has been represented at the Food and Agricultural Conference, at the preparatory conferences for the world trade organisation and is strengthening its relations with the I.L.O. and the International Co-operative Women's Guild has secured category "B" recognition by the United Nations Economic and Social Council.

In referring to U.N.O. it is interesting to notice how its work in various directions is similar in character to that of the Alliance. Relief work has been performed by the Alliance



wherever national Co operative Movements have met with disaster Co operators all over the world have given substantial material assistance over the years to co-operators confronted by special misfortunes Before U N R R A was established steps were taken by the I C A to establish a relief fund for which about £250 000 has been collected to assist the re-establishment of Co operative Societies in the war stricken countries of Europe

Under the aegis of the I C A there have been two specialised financial committees The purpose of one is to bring co operative banking institutions into conference with the ultimate prospects of an international Co operative bank in view this committee is in a way a miniature of the international banking organisation established at Bretton Woods The second is a special committee of co operative assurance interests in this case there is no parallel with any U N O organisation

In the special conferences of the Co-operative Movement's Educational groups and in the special International Schools which were arranged each year there is resemblance to the work of U N E S C O and in the International Women's Guild there is a parallel with the U N O Commission on Women's Rights

It is clear, too that the Co-operative Movement will have a contribution to make to the work of the Special Commissions of U N O In dealing with refugees, for instance, it seems that facilities might be given for special communities to be set up on co operative lines as has been done in Palestine, and possibly regular trade facilities assured them through consumer societies in other parts of the world In the Commission on human rights the Co operative Movement might insist that any charter of human liberty should safeguard the rights of people to form Co operative Societies for wherever the liberties of Co-operative Societies have been attacked by the State that State has been a potential menace to world order Similarly, the Co-operative Movement has a contribution to make to the work of the commissions dealing with employment, transport population, reconstruction of devastated areas economic stability and the status of women

As was pointed out in the inaugural address to the Zurich Congress U N O and similar organisations are experiments in world planning and just as the Co-operative Movements of the different countries have taken steps in various ways to make

known their views on laws, orders and regulations which affect their welfare within the State, so, too, in the case of U N O and its auxiliaries steps have to be taken to ensure that the co-operative viewpoint is fully understood on the international council of the nations

Co-operators of the different nations have repeatedly expressed the view that among the objects of their movement should be the establishment and maintenance of peace Emile de Boyve, one of the French pioneers of the I C A, expressed such sentiments at the British Congress nearly seventy years ago Where some measure of political freedom exists, co-operative influence might be effective in checking the outbreak of hostilities The Co-operative Movements in the various countries would, however, require to be in a very much stronger position than they are at the present before direct action on their part could prevent outbreak of war

By far the most important contribution that the Co-operative Movement can make to the peace is by indirect action, by ending economic exploitation of the people of one nation by those of another by assisting the great mass of the people to be free economically as well as politically Whilst the Co-operative Movement has far to go before it is in a position to make a deep impression on world economy, if it realises that it has a valuable indirect contribution to make in preserving the peace of the world At the 1946 International Co-operative Congress, for instance, the view was accepted that the control of oil by the United Nations Organisation was of as much importance to world peace as the control and supervision of atomic energy Thus one finds that the day-to-day experience of the Co-operative Movement inspires proposals of first-rank political importance in the field of international relations And although U N O rejected the proposal for examining the prospects of controlling oil in August 1947, no doubt co-operators will persist in raising the issue again

### 3 POLITICAL AND ECONOMIC QUESTIONS

Since its inception the International Co-operative Alliance has been a strenuous upholder of Free Trade principles Free trade between the nations was equally in the interest of home consumers and producers relying on the export market tariffs and import duties were regarded as highly objectionable

For a long time this was also the traditional and unquestionable view of the British Co-operative Movement, but of late there has been some difference of opinion on the subject among British Co-operators. At the I C A Zurich Congress in 1946, when the subject was raised, the British spokesman declared, "Free Trade is dead". British opposition to a Congress resolution on the subject was outvoted by the Congress. This is the first cleavage of British opinion with that of the I C A on broad economic policy, but it is only tentative in character. The British delegation most certainly assessed the existing situation correctly.

However, it would be going too far to assume that British opinion has crystallised on the subject. Certainly without international trade reaching high levels British prosperity is jeopardised, and such a volume of trade can be achieved only under conditions in which Free Trade exists. Transitional conditions between war and peace were obviously foremost in the minds of British spokesmen at the recent Congress. With the Ministry of Food operating as the sole importer of nearly all categories of food, and with the prices of many foods, formerly freely imported into the country, heavily subsidised, and the possibilities of such conditions prevailing whilst world shortages existed, the prospect of Free Trade may well have seemed unreal at the close of 1946.

On the other hand, with F A O contemplating the creation of buffer stocks of food which would be used to assist impoverished nations, there is obviously in embryo a movement to regulate trade, not with the object of creating barriers or restricting production, but for the purpose of easing the flow of vital supplies and increasing production. The discussion on this subject at the Zurich Congress was immensely valuable, not because of the decision reached, but because it focused attention on a problem of major economic importance to the world which will have to be considered not only in co-operative circles, but also in establishing the International Trade Organisation and on the Economic and Social Council.

The International Co-operative Alliance has been consistently used as a forum for discussing the wider problems of Co-operative policy. Thus discussions regarding the relationship between the State and the Co-operative Movements have been items recurring on the agenda of the Conferences of the I C A.

Under State planning—a familiar phenomenon in the political

world to-day—the Co-operative Movement has a contribution to make in determining the shape of economic plans. This is done through various conferences and inquiries prior to plans being implemented, and through the Co-operative Movement securing representation on commissions charged with the administration of plans. In Britain this process has been carried a stage farther by the movement securing direct representation in Parliament. At the same time, the Co-operatives have always to face the prospects of electoral changes which would result in anti-Co-operative forces being returned to power and using powers, acquiesced to a more favourably disposed government, to check Co-operative expansion.

There has, however, been a definite change in the attitude of the Co-operative Movement towards the State from one of distrust to one of more ready collaboration, with effective safeguards regarding the continuity of Co-operative operations. In this respect it is worth noting that the British movement has perhaps moved farther ahead in adapting its policy to the new conditions than any other movement.

The actual experience of the various movements existing within different States and under different forms of government described at congresses of the I.C.A. has been immensely valuable in cautioning Co-operatives and safeguarding them from entering into different kinds of misalliances with the State.

#### 4 INTERNATIONAL CO-OPERATIVE TRADE

One of the earliest objectives set for the International Co-operative Movement was to foster trading between Co-operative Societies in the various countries. At the British Co-operative Congress of 1889, prior to the formation of the I.C.A. a paper was read on the subject, and the first rules of the Alliance asserted that one of its aims should be the promotion of trading between the various national movements.

The year 1922 saw the establishment of an International Co-operative Wholesale Society. This organisation was in fact a committee representative of the leaders of the national wholesales of the various countries. Information was exchanged between them regarding prices, sources of supply and various technical questions. At the 1937 Paris Congress an advance was made, for an International Trading Agency was established. This organisation was intended to

facilitate actual trade between the movements. Although the agency was confronted with the difficulties arising from the 1938 Munich crisis and the outbreak of war in 1939, it succeeded in building up trade to the extent of a quarter of a million pounds during its short experience. As a result of the decision of a post war conference of International Co-operators, it was decided to merge the older I C W S with the agency.

No doubt early discussions in Britain inspired other more modest international ventures. There was, for instance, established in 1917 a Scandinavian Co-operative trading agency which included the Swedish, Norwegian, Danish and Finnish Wholesale organisations, and which has acted as their joint purchasing agent, having an office in London and agents functioning elsewhere. Suggestions have been put forward for agencies of a similar character serving different territories of Europe—one for France and the Low Countries and others for Central Europe and the Balkan countries. No material progress has as yet taken place in this direction. Mention too must be made of the joint enterprises of the Canadian and U S A Co-operative Movements and of the electric-lamp production of the Scandinavian movements.

The most recent development which has taken place in the sphere of international trading and production is the formation of the International Co-operative Petroleum Association as a result of meetings which took place in 1945 and at the International Congress of 1946. For about twenty years the Co-operative Consumers' Association, Kansas City, U S A, has been interested in the retail sale, mainly to farmers, of petrol and petroleum products. This Co-operative Society has advanced into the mining of mineral oils and refining of petroleum and from an early date conceived the idea of these products being commodities suitable for handling on a Co-operative basis internationally. The creation of the I C P A represents a new approach to the development of international Co-operative trading which may well prove more successful than past endeavours, based as it is on a commodity basis.

Britain is, of course, interested but there are certain fiscal obstacles to be overcome, and, in addition, the movement has not many retail outlets for motor spirit and not many Co-operators are car owners. On the other hand, it is possible that Co-operatives could supply motor fuels, lubricants and heavy

fuel oil to public undertakings. The point which should be made, is, that whilst transport may be nationalised, it is impossible to bring under public control through nationalisation the basic fuel for motor vehicles, in view of the overseas interests involved. Co-operative organisation has a job to do here. It is doubtful whether any other agency can perform such a service. Steps have been taken by the Wholesale Societies in Britain to acquire filling-stations, and some plans are laid for ultimately building refineries. The S C W S joined the I C P A at the start and the C W S joined in October 1947.

Fairly generous support of the new agency has been promised by the various countries, and no doubt in due course the British movement will play its part in what may well be an international Co-operative development of the first magnitude. Initial plans for the agency drawn up in 1946 provided for authorised capital of 15 million dollars, whilst the capital of 500,000 dollars required to launch the undertaking was over subscribed by nearly 100 per cent. Twenty-three central Co-operative organisations in different parts of the world indicated their willingness to join the I C P A, and sixteen nations are among its first members.

Since 1920 there has been functioning the New Zealand Produce Association, through which agency the British Co-operatives were supplied with produce from Dominion Farmers' Co-operatives. Similarly, there was the Baltic Produce Association developing activities in that region.

The C W S and S C W S were also important direct purchasers of produce from American, Canadian, Australian, South African Co-operative farmers. In fact, it was shown some years ago that Britain's Co-operatives were to be counted among the largest Empire Traders. Apart from the Dominions, supplies from European Agricultural co-operative organisations were readily purchased by British Co-operatives.

In view of the importance attached to the British export drive, it is interesting to notice the decision of the S C W S to develop an export market in order that Co-operative production will play its part in safeguarding the national economy. The C W S, it should be mentioned, has had an export department in existence for many years. Development of the export trade is important from the point of view of the home consumer. With mass production it is essential that products should have a large market. Co-operative factories in the main are serving retail Co-operative Societies. They are not

producing in general for the supply of the entire home market, which would make mass production an economic proposition. If, however, they could supply overseas Co-operatives with their products, they will have more opportunities for successfully developing large scale processing and manufacturing. This would be to the advantage of the agricultural Co-operatives in Canada and the U S , and it would be to the advantage of those Co-operatives in Europe whose movements serve smaller populations. In addition to which, if the Co-operative productive organisations here are engaging in the export trade as well as catering for the home market, they will be in a stronger position to secure a higher place among the priority classes for labour, machinery and buildings. Another aspect of the matter is that the British export drive might be given as an excuse for the exploitation of overseas customers, through unwarrantably high prices. The Co-operative Movement, in exporting, would not demand exorbitant profits, thus setting a standard for exporters, and so build up good-will for British exports, which should assist enormously, when the world becomes a buyers' market.

During the Second World War special efforts were made to study conditions of co-operation in the British Colonies, as these were often areas outside the field of hostilities and with which easy contact could be maintained. As a result of these investigations, which were organised by the Fabian Society, representations were made to the Colonial Office to secure assistance for the development of consumer and producers co-operatives. The present Secretary of State, the Rt. Hon. Arthur Creech Jones, has issued a dispatch to the Colonial Governments stressing the social and economic advantages which will arise from the extension of all forms of co-operation. In addition to this, a British co-operator has been appointed to serve on the Colonial Economic Advisory Council. A more recent development is the appointment of an Advisory Committee on Co-operation by the British Colonial Office and a permanent advisor.

Mention should be made of the activities of the Horace Plunkett Foundation, London, which has assisted in various ways the extension of agricultural co-operation, and has undertaken much valuable research work and offered advice in this specialised field of co-operation. The consumer type of society is a place in the colonies, and particularly so as the standard of living increases. Indeed, such societies could be instru-

mental in raising the standard of living. Developments of all kinds of co-operatives in the Colonies should eventually lead to their figuring prominently in the field of international trading.

## 5 NEW PROBLEMS

As to the future, it will be seen that the Co-operative Movement has boldly taken its place among the impressive array of post-war international institutions, and has a unique contribution to make in the formulation of world policy, voicing the interests of consumers and small producers. As such, it can support the efforts of organised workers, bringing a wealth of industrial experience to fortify their common cause.

To play its full part in the world councils, the organisation of the I.C.A. will require to be reinforced. A very much larger secretariat will be necessary, adequately staffed by research workers, economists and other experts, who will be able to translate Co-operative policy into terms of world policy in its various aspects. In fact, some development along these lines is taking place.

Not only that but there is need for some intermediate organisation between the international secretariat and the national movements. Regional development would enable the co-operatives, say, in South America or the Far East to bring their views to bear more directly in formulating international co-operative policy. Further, there is scope for the different types of societies to have their special organisation within the framework of the Alliance. Such developments will enormously strengthen the Alliance and yield substantial practical benefits to its members.

Along such lines co-operative thought moves at the present time, but budgetary considerations are apt to restrict these aspirations for more effective organisation. Steps have already been taken to augment the revenue of the I.C.A., but it would seem that additional revenue must come through more co-operative organisations becoming members. It must be more widely recognised than it has been in the past that in giving the Co-operative Movement a place in world affairs the Alliance is advancing the cause of every single Co-operative Society in the world.

One line of development of immense practical importance which the future should see is the bringing together of the technicians of the various national movements. Both in



Sweden and Denmark, for example, the consumers' movements have paid close attention to the standard of design for furniture and household utensils. Both movements have employed the highest skill in their countries to produce attractive furniture at moderate prices. Clearly where initiative along such lines is taken opportunities should be provided for the co-operative managers, buyers as well as consumers of other nations, to have first hand knowledge of the results. This could be done by the organisation of special conferences of technicians and by the circulation of reports, photographs and drawings. Such co-ordination could be instrumental in raising the standard of co-operative production, it could result in the world's best designers and other specialists being employed to serve not just one national movement, but a number. There is abundant scope for better contacts also between managers of distributive establishments, of factories and of specialised services. This would eventually lead to discussions on the supply of raw materials and machinery, and give plans for the extension of international Co-operative trading an enormous fillip.

Of overriding importance to the future of the Co-operative Movement is the development of international trading and production. Co-operative Societies were pioneers in recognising the importance of the technique of big business. Buying was centralised through wholesale societies, so also was manufacturing. Vast economies were effected through such organisation. To day, however, these methods are not exclusively used by Co-operative Societies, indeed, big business has recognised the importance of operating on a world basis through a growing array of international combines and cartels. In competing with private industry so organised, the best national organisation of co-operatives is seriously handicapped. International planning is obviously required. Perhaps this is now more fully realised by co-operators, and the post-war period will see international trading and industry operating on a vaster scale than anything contemplated in the past. This implies national movements joining forces to make common purchases of primary produce, manufactures, machinery and raw materials, the exchange of productions between movements, giving home consumers wider choice, the acquisition of sources of raw material, the establishment of international productive and service organisations.

Not only that, but on the distributive side there is scope for international action. There seems no reason why resources should not be made available to give weaker consumer move

ments a better chance to compete with big scale retailers. If well known departmental store names are familiar in Capetown and Buenos Aires there is no reason why Co-operative Societies in other countries should not provide financial resources to open departmental stores and mail order businesses in the Dominions and other territories. By degrees such organisations would pass to the hands of co operators in the countries concerned.

So far only the fringe of possibilities of the international Co-operative Movement have been reached. The circumstances of the world after the war present difficulties and uncertainties, but the times are not without great opportunities for new co-operative advancement in the international sphere. As a leading member of the I C A the British movement will undoubtedly play a prominent part in envisaging such developments just as it figured prominently in laying the foundations of the Alliance.

## IV CONCLUSIONS

By N BAROU

### I GENERAL SUMMARY

WHAT CONCLUSIONS are to be drawn from the varied experience of the British Co-operative movement—as described in previous essays? These are many and varied in importance.

It is essential from the start to define the limitations of co-operative enterprise and the possibilities of widening them during the transition period, when the co-existence of three types of economic enterprise, private, co-operative and public, will have to be faced for a long time. The real task of national planning is to integrate them into a balanced working system.

The attitude of the British Co-operative Movement in regard to this task has been clearly formulated by Lord Rusholme (Mr R. A. Palmer), former General Secretary of the Co-operative Union:

“British co-operators believe that voluntary co-operative organisations will be fully occupied for a long time to come in expanding their activities to the stage where they fully control those operations for which they are specially suited, and meanwhile they will do well to assist and not to hinder in securing that all the other operations which are not specially theirs are brought under control of the State, the municipality, or special Boards, all non-profit making in character, and thus at the earliest moment break the grip of the profit making individuals and groups by which their lives at present are largely controlled.”<sup>1</sup>

Mr Palmer's formula visualises two kinds of activity—those for which Co-operative Societies “are specially suited”, and others which “are not specially theirs”. Let us analyse the two groups separately.

What are the activities for which the co-operative organisa-

<sup>1</sup> *Review of International Co-operation* March 1944 P. 39

tions 'are specially suited' and which they must expand 'to the stage where they fully control those operations'." Co-operative enterprise must satisfy one of the two main conditions: it must be formed by members and operate for their benefit, or it must employ its members and offer them an opportunity of collective employment.

It is evident, on the one hand, that public utilities, railways, motor transport, etc., cannot serve their members only, but must satisfy the needs of the whole population in each locality. On the other hand, modern large-scale industrial enterprise cannot be often formed on co-operative lines, because the wage- and salary earners employed in it are not necessarily the members of the Co-operative Society to whom the enterprise belongs, and they do not take collectively any direct responsibility for its management and conduct. The great productive enterprises belonging to the CWS are co-operatively owned but not co-operatively run. Only a few comparatively small industrial Co-operative Societies are really run co-operatively — i.e., they belong to members who are working in them.

Co-operators must therefore admit that the organisation of many branches of industrial production, mining, etc., can hardly be delegated during the transition period to co-operative productive effort. The main fields for rapid application of co-operative methods remain therefore, in agriculture, in domestic industries and in the distribution of goods and services.

As earlier essays have shown, the Co-operative Movement in this country is only slightly developed in the first two spheres, and is mainly engaged in the production and distribution of food and a few other necessities.

This position was fully reflected in the statement on Reconstruction Policy, adopted in June, 1943, by the Annual Conference of the Labour Party, which gave the following description of the achievements and prospects of the Co-operative Movement:

"An increasing part of our trade organisation is being and should be played by the Consumers' Co-operative Movement. Co-operation renders a great service to millions of people in the distributive sphere and its principles are capable of increasing application in the field of agriculture."

Distribution is, however, the most difficult branch of economic activities to run on planned and controlled lines, it is

much more difficult to deal with on such lines than production. There is a large number of operating units, spread all over the country, and most of them are very small in size. When distribution is nationalised, or even strictly controlled, it is largely exposed to the dangers of bureaucracy and inefficiency. Because of this the consumers' Co-operative Movement can demand a definite and leading place in organising distribution in Labour Britain—but only if it will put its own house in order and convert and rebuild its organisation on united and coherent lines. This will take time, because voluntary organisations act by consent, and therefore tend to act slowly. Yet it is essential that the Co-operative Movement should face up to this new situation with courage and imagination and start planning the changes that are called for without delay.

If the Co-operative Movement fails to fulfil its obligations, as the third partner with the Labour Party and Trade Unions, in making a practical contribution to the rebuilding of a Labour Britain, it can hardly expect the Government to treat it in any way differently from private trade. The Co-operative Movement must make up its mind in which branches of economic life, and especially in which branches of distribution of goods and supply of services, it can extend its services to the mass of the population in this country. It must then start at once to prepare the machinery and organisation for such services.

This will not be easy, as the economic changes inevitable in the transition period will make a rapid increase in the efficiency of co-operative enterprise imperative, and the means to this increase will be the rationalisation of its machinery and methods of operation.

In the main, those changes are

(a) The margins of prices and profits for certain goods are considerably reduced as the result of bulk purchases and controlled prices, and the Co-operative Societies will have to adjust their trade accordingly.

(b) Further increase of indirect taxation, as against direct taxation, is inevitable if the production drive is to achieve real results. This will increase prices and lower the domestic turnover in goods, and will necessitate a further rationalisation of Co-operative trade.

(c) The export drive and high purchase taxes will result in a considerable decrease of home trade, and will contri-

bute to the necessity of rapid rationalisation and economy in selling costs

(d) Differential rationing, which resulted in the U S S R in the establishment of a new type of workers' supply organisation, may confront the Co-operative Movement in this country with new tasks which may demand special adjustment of co-operative distribution machinery

Another difficulty lies in the fact that co operative units are very unevenly spread over the country, as the movement originally developed from small local groups. But nowadays the growth of the net of co-operative units cannot be left to grow in the old, unplanned, haphazard way. Planned location of industry and the development of new towns will force the consumers' Co-operative organisations to meet the distribution needs of the new settlements. It should be able to meet those demands because it has established a strong central and district organisation, which can afford, and should be in the position to initiate and introduce local co-operation, in localities which are not co-operatively organised.

The experience of the Scottish Co-operative Movement in this field should be studied and developed. Regional co-operative organisation should step in to co ordinate and develop local organisations where only tiny co-operative units exist.

In its relations with co-operative organisations the Labour Party is, therefore, facing the following main task: the gradual replacement of profit making enterprise by that established to serve the people, and this should result in a gradual increase of the nationalised or Co-operative sections and decrease of the private ones.

Co-operative organisation must therefore be developed to such a degree that it can function efficiently as a third group—neither State nor private enterprise—and to serve as a bridge between a capitalist and a socialist economy. If the Labour Party can be satisfied that co-operative organisation is able to fulfil this function, then it cannot regard co-operation during the transition period equally with private enterprise, and will have to give it preferential treatment and support.

The movement has accumulated a great reserve of managerial experience amongst its voluntary workers, who serve on management boards and numerous committees, and among its leading full-time men. The Government should make full use of these managerial forces and call upon them to represent

the consumers' interests on the numerous boards of nationalised industries and services which are being set up at present

## 2 NEW CONDITIONS

The Co-operative Movement has to operate at present under the new conditions of a Labour Britain. What do these new conditions imply?

1 Full employment, higher wages, the accumulation of war savings, increased social security—all these will inevitably lessen both the psychological appeal and the relative material value of the co-operative dividend for working-class families and, therewith, its power to attract new members, with the improved economic position the co-operative dividend becomes a less important factor in their annual budget.

2 The Co-operative Movement must realise the "social implications of leisure" (Cole), and introduce and develop new services to meet them. It must be able to cater for people's leisure—in no less efficient a manner than it provides their food. The introduction of longer holidays, of holidays for all wage- and salary-earners, of shorter hours, of a five-day week, the increase in social security and in savings, create an increased demand on cinemas, restaurants, holiday camps and hostels, on games and sport, on clubs and other recreation and rest places. The Co-operative Movement must take its full share in those new developments.

3 The nationalisation policy of the Labour Government will considerably diminish monopoly capitalism in Britain. The nationalisation of the Bank of England, of coal, transport and steel, will have a great and salutary effect on the other branches of national economy that remain under private ownership by weakening monopolistic tendencies in general. This will weaken the forces against which the Co-operative Movement directed its main struggle, and will strengthen the position of the consumer.

4 The effects of nationalisation will be reinforced by planning and regulation, they will influence every field of economic activity, and must have far reaching repercussions throughout the whole Co-operative Movement.

As the application of nationalisation, planning and regulation grows, such activities as bulk purchases abroad will to a great extent be taken over by the State. It is hoped that, if the Co-operative Movement harmonises its own action with

Government policies in this field, it should be able to count confidently upon State support. To the extent, however, that the State frees the consumer from capitalist exploitation, the attraction of Co-operative societies for consumer members diminishes—a fact which should inspire the Co-operative Movement to make a new approach to its problems.

This development suggests that the movement must now secure adequate and active representation for the consumer in all planning institutions, with this new and difficult task we shall have to deal, however, in greater detail later.

5 Even the present limited scope of nationalisation covering three or four branches of national economy must already be influencing co-operative activities. The nationalisation of the Bank of England and of transport will have an indirect influence on co-operative trade, but the nationalisation of coal will affect it directly. The co-operative system, since it owns only a few collieries, is interested to a very limited extent in the production of coal, but it is very much interested in its distribution, in which it is responsible for 15 per cent.

The two problems have to be faced with all the seriousness they deserve, for the cost of neglecting them will be heavy. Can the Co-operative Movement object to the National Coal Board taking over its collieries? Hardly. The position is quite different, however, in the field of distribution, since co-operative organisation can serve as one of the main distributive channels.

6 Here, again, a new problem arises—that of the relations between co-operatives and municipalities. A good deal of coal distribution is handled, apart from private trade and Co-operative Societies, by municipalities. Will municipal and co-operative distribution of coal be supported in preference to private distributions? What should be done in places where both systems are operating simultaneously? Which of them should make way for the other, or how will their operation be shared or separated?

Not enough is known yet about future plans for coal distribution, and it is high time that all concerned should make up their minds about it.

There would appear to be good grounds for collaboration and accommodation between local government bodies and Co-operative Societies in regard to the place of municipal and co-operative organisation in nationalised industries.

When gas and electricity are nationalised the question will



arise of the treatment to be accorded to municipal and private enterprise respectively. Co-operators, who believe in decentralisation and in local initiative, should be ready to support the suggestion that though financially the local enterprise should pass into the pool of nationalised industry, the municipal institutions should retain a place in its planning and management. An effective alliance can be concluded on these lines between the co-operative and municipal interests, in which the co-operators should agree to support municipalities and get in return the agreement of municipalities to hand over to the Co-operative Societies their present share in the distribution of coal, milk, etc., and not to participate directly in their distribution in future.

7 The shortage of man-power and the need for its redistribution will have to be faced by co-operative enterprise. It is important to remember that notwithstanding the decrease during the war of the man-power occupied in distribution and other services, they still employ nearly 20 per cent of all the nation's wage- and salary-earners. The economy of labour in those industries is therefore one of the most important problems to be faced during the transition period, and the Co-operative Movement, which occupies an important part in the distribution services, will have to contribute its share to this process.

8 In yet another field the new circumstances will call for readjustments—the recruitment of labour in co-operative enterprise. In the past, co-operative organisations have had no great difficulty in getting all the labour they need. The wage standards offered by co-operative employers are usually higher than those of private enterprise and, even more important, there has been greater stability of employment. In a full-employment economy, with higher wage levels and social security, the advantages of co-operative employment will diminish relatively and, therewith, their attraction.

9 Unfortunately, the co-operatives have not used their resources to the full in large-scale education of their own employees, and especially their managerial and technical personnel. That, we believe, is one of the fundamental failures of the movement, and one that ought to be corrected without delay.

The ample resources of the movement would enable it to organise on an adequate scale first-rate schools for training its employees and to provide sufficient University scholarships for its higher specialists. Modern large scale enterprise needs technicians, statisticians, sociologists, economists, psychologists,

and it is essential that in co-operative enterprise the specialists should not be indifferent to the overall aims of the movement, to its philosophy and ideals. They must not feel themselves merely hired for their specialist knowledge and asked only to render technical services, they must feel themselves part and parcel of the movement, part of its brains and inspiration.

10 The economic functions of the Co-operative Societies in this country, developed in response to the challenge of an economy of scarcity and competition, will have to change, just as that economy is gradually changing. To stand up to the new economic position of co-operative organisation, the movement must be able to perform new special functions, calling for action now, which have so far been performed only in a somewhat perfunctory way. Those functions are the mass education of members and the representation of consumers' interests at every appropriate level of production and planning.

11 Co-operative enterprise must get that proportion of labour-power, goods and raw materials that will enable it to deliver the goods to be produced or the services to be rendered to the community on the levels decided by the plan. A planned economy, however, cannot be effectively built into a progressive democratic society unless the consumer has due opportunity to advise on the kind and volume of goods to be produced.

It is no good pretending that functions of that kind can be left entirely to Parliament, as at present constituted, since the producer's approach and psychology are predominantly represented in all parties. It is therefore of the highest importance that the organised consumers should have their proper representation on planning and operational bodies, and should formulate and put forward their ideas, needs and interests in the most vigorous and effective way possible. This can hardly be done until a very much bigger proportion of the consumers interest themselves positively in the ideals and the progress of co-operation. They must be made more aware of their needs and responsibilities, and must understand that, if consumers' interests are to be democratically represented in a Labour Britain, they must themselves, as individual co-operators, make use of their democratic rights inside the co-operative organisation.

### 3 CO-OPERATION AND SOCIALISM

Finally it is necessary to assess the relations between co-operation and socialism. Many co-operators believe that

co-operation is not only the bridge between capitalism and socialism, but is the only real expression of the socialist ideal Mr Bailey, emphasising this view, claims—

“The voluntary co-operative system of industry, both productive and distributive, should be jealously preserved and encouraged by Socialists. It is nearer their own ideal than semi-corporated State industry. Far from regarding co-operation as a mere step to State ownership, they should, in some fields at any rate, regard State ownership and control only as the first step to a more complete co-operative Socialist system.”

It is essential therefore to make up one's mind whether co-operation is a forerunner of Socialism during an important stage of the transition period, or whether it is the highest form of collective effort into which all socialist economy will be finally transformed. The final decision on this point is bound to have important practical consequences.

It should not be very difficult to prove that co-operative method and organisation of production, being built on voluntary basis and operating through small units, can play a useful part during the transition period in such trades for which it is suited. It creates new social units and new incentives which combine the individual and collective interests, which are so difficult to balance during the first years of transition. It can also help to solve the most difficult problem of this period—the change of the individualist outlook of the ordinary man and woman and the gradual introduction of collective interests and incentives.

It is clearly recognised now that the “old coercive incentives of capitalism” (Cole) are insufficient to warrant the success of socialist transformation, and that unless new free and partly non-monetary incentives can be developed and introduced, socialists will have to fall back on “coercive” incentives of their own. These may be avoided by rapid development of adult political education on a national scale and by the introduction of planning on democratic foundations. Co-operative organisation, as the experience of the U.S.S.R. shows, can serve as one of its main pillars.

Because Co-operative Societies are made up of millions of individual consumers and producers, and express their needs and desires, they can help to establish and maintain a democratic basis for planning and encourage an active and respon-

sible interest in economic and social organisations on the part of those whom they represent. In such a way Co-operative Societies will create new human collective values and pave the way to a new non acquisitive society.

But Mr Bailey aims much higher. He regards 'State ownership and control only as the first step to a more complete co-operative socialist system'. He is still inspired apparently by the ideal of the Rochdale Pioneers, who in their Rule No. 6 aimed to establish "a self supporting home colony of united interests" (see p. 9). It is difficult to see that modern industrial society could be reorganised on such lines in the lifetime of our own, or even the next generation. It reminds one so much of the visions of William Morris, who also dreamed of a society in which life would be freely organised by groups of citizens in accordance with their individual choice and preferences. These prospects are, however, very far from our own realities, from our over-urbanised and over-industrialised civilisation.

Industrial democracy in our days and in the next generation or two will grow mainly, not through the conversion of big industrial units into productive co-operatives, but through the participation of the mass of the workers, through their industrial trade unions, in democratic planning and management.

Only in the field of agriculture and artisan production will industrial democracy be able to proceed by the more attractive route of productive Co-operative Societies, as we have seen from the experiences of collective farms or communes in the U.S.S.R., Mexico and Palestine, or productive industrial Co-operative Societies in many lands.

The Statement of the Labour Party rightly stresses that the principles of Co-operation "are capable of increasing application in the field of agriculture". Present-day Britain will have to face a great effort in agricultural production. It is therefore natural to expect that in extending the sphere and volume of co-operative activities, due attention will be paid to the development of marketing and rural producers' co-operatives, which should also help to organise mechanised services in agriculture.

The C.W.S. have in the past developed enterprises of their own, and have paid comparatively little attention to producers' industrial co-operatives. This attitude will have to be radically changed. Productive co-operation in agriculture and industry can be fully incorporated in a planned non-capitalist economy.

and can serve as a mainstay of voluntary effort recognised by the State. There is ample experience that under a planned economy social and economic effort need not become uniform and monotonous. The co-existence of voluntary co-operative organisation and of nationalised industry can be a working proposition, and serve as one of the best methods of democratic re-organisation during the transition period.

Three other great avenues which may become highly effective and important during the transition period are also open for the Co-operative Movement—the application of co-operative effort to community life, the organisation of leisure and mass campaigns for adult education.

Co-operation is not only a method of organisation of economic effort, it can also serve as a social institution as a basis for community life. The Co-operative Societies "for better living" in China and India are trying to improve general conditions of life in rural communities, and may be the forerunners of a new type of co-operative activities, which will introduce voluntary effort and organisation into local communal life.

This new type of co-operative activity may open the way of solving the most difficult problem in over-sized, urbanised Consumers' Co-operative Societies—the problem of co-operative democracy. The large societies could be rebuilt by the introduction of area organisations having a say in the control and supervision of local distributive units which at the same time would be able to organise their local members for social and cultural activities and interests. This would increase the opportunity of democratic action and development because, as G. D. H. Cole has rightly said, democracy means "to give the small groups, of which the great Society is made up—real opportunities of action."

In such a way the personal bond between members, which hardly exists in large urban societies, can be recreated, and new life and interests introduced in their work. This may revitalise co-operative life and result in the rebirth of co-operative democracy.

This new structure could be considerably reinforced if co-operative services were extended to provide for leisure.

Finally, the Consumers' Co-operative Movement is in touch with the majority of all families in this country. It possesses therefore the widest possible contacts with the majority of the population. Most members use co-operative shops regularly,

and the rest are contacted a few times a year by post for payment of dividends or interest on savings. The 25,000 co-operative shops and the tens of thousands of co-operative vehicles present a unique instrument for advertising and propaganda. Those great opportunities have been used up till now very sparingly for co-operative educational and enlightenment activities. The transition period is the time for a radical change in the restricted use of the co-operative organisation for adult mass education, and a great campaign for such education should be undertaken on the whole co-operative front. Only such effort can produce a rapid increase of the members' interest in the activities of their own society and strengthen co-operative influence in the Labour Movement and in the political life of the country. It will certainly have a beneficial effect also on the business activities of the movement, which suffer considerably from the apathy of its members.

The Co-operative Movement must realise that its performance in the field of adult education, whether adequate or not before Labour came to power, is wholly incommensurate with the needs and the opportunities in Britain now. Surely it is time for us all to understand more clearly that during the transition period the foremost task and duty of the Labour Movement is to educate to these opportunities the still too little informed masses of our fellows, to change their approach to life in general, to encourage them to take their part in moulding their State and its institutions, so that it deserves their informed confidence, and to develop gradually community incentives and a community outlook. Thereby the movement can help to diminish both that prevailing emphasis upon monetary values and habits and that acquisitive spirit which is by no means confined to capitalists, but is far too widespread throughout the bulk of the working population.

Those who sympathise with Mr. Bailey's declaration that "co-operative politics imply a critique not only of private enterprise but of conventional State socialism, at least as it is practised and advocated in Britain", must clearly understand that "State socialism" has yet been very little "practised" in Great Britain. We have had considerable experience with State enterprise, but this is an experience in State capitalist, and not State socialist, enterprise. The main difference between the two is, that State socialist enterprise can be developed only under a Labour Government and that in such an enterprise the wage- and salary-earners employed in it will

have a great say in planning and direction through Joint Productive Committees, through industrial unions and through many other channels

It must not, however, be overlooked that though the influence of monopolistic finance capitalism will be considerably reduced during the transition period, the problems of production will for a long time occupy a predominant part as compared with the interests of consumption. The daily interests of the wage- and salary-earners in this country will for a long time be centred around the production drive, and because of this there will not be much chance for the development of a special "consumers" party, able to replace the Labour Party or to function as an opposition force towards it. Co operators must therefore appreciate that there is no room for co operative politics independent of the politics of Labour. The Co-operative Party may be a valuable instrument, in given historical conditions, to impress on the Labour Party and its membership the importance of co operative methods, organisation and personnel, of consumers' interests in production and distribution, and of voluntary effort in the building of modern democratic society. The great mass of co-operators in this country are wage- and salary earners, and they are deeply concerned that the three branches of the Labour Movement—political, trade union and co operative—should develop and act as complementary forces, should divide the field among them and conduct their activities as "combined operations" in their fight for Socialism in a Labour Britain.

## CONTRIBUTORS

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